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# Cities of Alberta

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## Addenda

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### Submission

to

### The Royal Commission

on

### Dominion-Provincial

### Relations

JANUARY, 1938

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D O M I N I O N - P R O V I N C I A L

R E L A T I O N S

Prepared under the direction  
of Mayor John W. Fry, Edmonton,  
(Chairman of Committee of Mayors)

-By-

J. J. DUGGAN.

EDMONTON, ALBERTA

JANUARY - 1938.



## INTRODUCTION.

The Cities of Alberta welcome the opportunity of submitting a Brief in respect to their varied problems of Finance and Taxation to the Royal Commission. They are gratified to learn that the scope of inquiry delegated to the Commission includes the financial relationship existing between Municipalities and the Provincial and Dominion Governments, and they are conscious that, in so far as the urban units of administration in Alberta are concerned, serious strains in that relationship have developed.

For a number of years the problems confronting the Cities of the Province have become increasingly acute, and have now reached a stage so alarming that adequate solutions must soon be found if fiscal disaster is to be avoided.

The matters now causing the deepest concern among City authorities and City taxpayers are mainly as follows:

1. The increasing cost of various Social Services now borne by the Cities, particularly in respect to Unemployment Relief and Education, and the unequal division of the cost as between the Dominion, Provincial and Municipal Governments.
2. The burden of funded and unfunded Civic Debt.
3. The restrictive character of the Taxation Base now available to Cities.
4. The excessive burden of taxation which Real Property is at present compelled to bear.
5. The inflationary character of the assessment of Real Property.
6. The continued forfeiture of Real Property on account of non-payment of taxes, and the shrinkage in the taxation base resulting therefrom.

7. The alarming shrinkage in Real Property values largely due to excessive taxation.
8. The exemption from local taxation now enjoyed by an increasing number of non-property owners.
9. The social, political and economic consequences of the extension of municipal franchise to all adults without first having established a taxation system more closely related to the privilege granted.
10. The menace to municipal solvency resulting from the conditions above described.

On December 1st, 1933, the Provincial Government appointed The Alberta Taxation Inquiry Board, of which the present writer was a member, and in Chapter 34 of its Report, (a copy of which is attached hereto and marked "Exhibit A"), the following conclusion in regard to the problem of taxation is stated:

"The Board holds the view that no satisfactory readjustment of the tax problem can be effected until an agreement has been reached between the three taxing authorities - Dominion, Provincial and Municipal - as to their respective obligations. The fiscal problems of these authorities are closely related and interwoven, and should be solved as phases of the same problem rather than as separate and unrelated issues."

In the view thus expressed the Cities of the Province fully concur, and hope that it will meet with the general acceptance of the Royal Commission itself.

The Cities on whose behalf the present Brief is submitted are as follows:



<u>Cities</u>	<u>Population</u>
Edmonton	85,470
Calgary	83,304
Letbridge	13,489
Medicine Hat	10,300
Red Deer	8,344
Wetaskiwin	2,125
Drumheller	<u>2,987</u>
TOTAL -----	<u>200,019</u>

The combined population of these seven Cities represents approximately 26% of the population of Alberta which now stands at 780,000.

In varying degrees the problems of finance and taxation disturbing the Cities mentioned are similar in character, and solutions found applicable to one would no doubt be applicable to all. In the two large Cities, Edmonton and Calgary, these problems have in recent years become greatly intensified, and the main causes responsible for this condition will be briefly indicated in the following chapters.

II.                    CITY OF EDMONTON.

The attention of The Royal Commission is first directed to the following particulars respecting the City of Edmonton.

Edmonton was incorporated as a Municipality in 1892 and as a City in 1904. In 1905 it was made the Capital City of Alberta. In 1912 the Cities of Edmonton and Strathcona were amalgamated under the name of the City of Edmonton. It will be noted that as a City it is now 33 years old. In 1932 its population was 79,059, its present population being 85,470. The area of the City covers 27,200 acres.

1. (a) Assessment and Taxation.

The City derives its annual revenue from the following sources:

1. Land taxes based on assessment of Real Property;
2. Business taxes based on an assessment of the rental value of premises occupied;
3. Profits from City's Utilities,
4. Provincial Grants to Education, Hospitals, Public Library, and other Social Services.
5. Provincial Grant in lieu of Service Tax abandoned by the City in 1932.
6. Licenses, Departmental Revenue, and Miscellaneous.

The City Charter directs that land shall be assessed at its "fair actual value", and buildings at from 50% to 100% of value, the rate at present in force being 50% of the value of dwellings and 60% of the value of business premises.

For purposes of taxation the City is divided into two zones:

(1) An inner or urban zone; (2) an outer or sub-urban zone; the tax rate on the latter being limited by Order of the Public Utility Board to 20 mills.

By the application of the principle of the Single Tax the City for many years confined its assessment of Real Property to land only, buildings and improvements being exempt. As an indication of its inflationary character the assessment in 1914 stood at \$191,283,970. It reflected the climax of Edmonton's real estate boom. By the year 1917 the land assessment had been reduced to \$100,917,000. It was then found that the Single Tax method had failed to meet the financial needs of the

City, and in 1918 a partial assessment of buildings was adopted.

Since that time there has been a steady reduction in the assessment of lands within the City and the following figures indicate the present position of the City's tax base:

	<u>1931</u>	<u>1934</u>	<u>1937</u>
Land Assessment	\$35,650,	\$26,845,420	\$24,018,515
Building "	36,245,731	28,325,805	29,202,075
Gas Franchise	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
	<u>\$66,646,485</u>	<u>\$56,441,225</u>	<u>\$53,970,590</u>

From the above figures it will be noted that during the last six years there has been a reduction in the assessment of roughly \$13,000,000.

Table of Assessment, levies, municipal and school rates from 1904 with intervals to 1936 - period of 32 years.

<u>Year</u>	<u>Assessment</u>	<u>Levies</u>	<u>Municipal Mills</u>	<u>School Mills</u>	<u>Deb. Mills</u>	<u>Total Mills</u>
1904	\$ 3,959,648	\$ 75,695	8.35	6.50	2.25	17.00
1910	30,105,110	563,494	3.90	4.20	3.90	17.00
1914	191,243,970	3,769,970	8.05	4.28	5.17	17.50
1922	62,928,880	3,366,180	9.40	18.85	11.45	39.70
1931	66,751,570	4,285,289	9.24	22.55	22.70	49.50
1932	66,099,895	4,423,987	5.41	22.80	23.79	52.00
1934	56,414,645	4,409,733	8.72	25.25	30.03	64.00
1935	54,613,530	3,742,982	7.54	26.10	27.26	55.00
1936	54,063,080	3,756,760	5.34	27.00	22.66	55.00

Current Tax Collections are usually regarded as an excellent indicator of the ability of citizens to pay, and the following Table

shows their relation to the City's respective levies.

<u>Year</u>	<u>Current</u>	<u>Current Plus Arrears</u>
1926	86.00%	106.16%
1927	87.06	107.32
1928	88.25	115.47
1929	87.96	110.49
1930	84.89	98.76
1931	80.82	95.36
1932	76.64	91.18
1933	74.21	90.57
1934	72.22	90.02
1935	78.93	105.39
1936	80.31	103.59

(b) Edmonton's Tax Levy 1935 - 1936

<u>General Taxes:</u>	<u>1935</u>	<u>1936</u>
General Municipal Purpose	\$ 37,618.27	\$ 129,543.46
General Debenture Interest and Redemption	1,470,078.30	1,319,449.13
Schools	1,408,000.00	1,438,475.00
Libraries	49,865.00	50,000.00
	<u>\$2,965,559.57</u>	<u>\$2,937,467.59</u>
<u>Special and Supplementary</u>		
Special Frontage (Inc. Local Improvements, Water and other charges)	\$ 418,039.40	\$ 426,758.11
Business Tax	265,660.39	265,462.61
Service Tax	30,000.00	30,000.00
Provincial Supplementary Revenue Tax	63,723.02	97,072.24
	<u>\$ 777,422.81</u>	<u>\$ 819,292.96</u>
	<u>\$3,742,982.38</u>	<u>\$3,756,760.55</u>

The following Table contains a comparison of Municipal Tax Levies 1936 and 1935 in a number of Western Canadian Municipalities. These

per capita figures are taken from a Bulletin issued by the Citizens' Research Institute, June 30th, 1937. .

Municipality	Population	Per Capita		% Current Levy Uncollected at the end of fiscal year	
		Tax	Levy	1936	1935
Edmonton	85,896	\$43.84	\$45.88	19.7	21.1
Calgary	83,304	45.01	43.82	24.9	24.9
Lethbridge	13,520	40.46	38.97	19.9	20.0
Medicine Hat	10,500	34.53	35.20	27.3	26.8
Vancouver	283,363	39.99	44.89	18.5	20.6
Regina	55,329	44.03	46.60	39.3	41.2
Saskatoon	41,734	44.91	43.94	36.4	39.4
Brandon	17,417	28.21	29.35	42.7	39.8
Winnipeg	224,533	41.13	42.08	28.8	31.4

While the Bulletin referred to gives no information as to whether a true levy had been made in each of the Cities mentioned, in the case of Edmonton the City Comptroller reports that the true levy for Edmonton in 1936 would have been around 76 mills, in which case the per capita tax levy would have been nearer \$60. than \$43.84 as indicated above.

#### (c) Tax Collections - 1936

The collection of Current Taxes for 1936 amounted to \$3,017,248, being 80.31% of the year's levy as compared with 78.83% in the previous year. Tax arrears were also collected to the extent of \$209,987, or 21.56% of the 1936 levy, while the net sales of the Land Department contributed \$64,539, equal to a further 1.72%, making the total collections 103.59% of the levy. It will be noted however that in the years 1930 to 1934 inclusive the total collections were far below the 100% mark. Declining civic revenues on the one hand, and the mounting cost of Unemployment Relief and other Social Services on the other, are the factors mainly responsible for the embarrased financial condition in which the City finds itself.

## 2. TAX ARREARS AND TAX SALE LANDS.

As at December 31st, 1936, the amount of arrears of taxes was \$2,076,959 as compared with \$2,177,771 in 1935. During the year, as a result of the operations of the 1935 caveat, the sum of \$198,993 was transferred from the Tax Rolls to the Tax Sale Lands' Account, while \$739,511 was added, due to non-collection of 1936 unpaid taxes, together with \$146,800 representing penalties on unpaid taxes.

The total amount of Arrears and Penalties against Lands Forfeited to the City, as at December 31st last, was \$5,780,667 which, combined with the amount of \$2,076,959 above referred to, makes a total of \$7,857,627 still outstanding. Against this, however, is a reserve for non-collection amounting to \$1,703,361, leaving a net figure of \$6,154,266.

### (a) Property acquired by City through Tax Forfeiture.

	<u>No. of Parcels</u>	<u>Assessed value</u>
As at Dec. 31st, 1934 )		
1935 Caveat not in- )		
cluded )	56,057	\$8,897,380.00
1935	1,563	1,136,235.00
1936	978	561,000.00
	<u>58,598</u>	<u>\$10,594,615.00</u>
Less sold 1935 & 1936	<u>1,855</u>	<u>315,583.00</u>
	<u>56,743</u>	<u>\$10,279,032.00</u>

It should be observed that the total lots contained within the City limits amount to 110,000 and that this physical basis of taxation has not shrunk to 53,257 lots.

While the forfeited lands affected are largely located outside the thickly settled portions of the City, property centrally located are

now being forfeited for non-payment of taxes to an increasing extent. On Jasper Avenue alone, which is the main business thoroughfare, the following business blocks have been forfeited:

<u>Jasper Avenue Property</u>	<u>Assessment Land</u>	<u>Assessment Building</u>	<u>Total</u>
Sandison Blk - 2 lots	\$ 29,500.	\$ 21,315.	\$ 50,815.
Chisholm Blk - 2 lots	44,160.	8,320.	52,480.
" "	36,800.	6,000.	42,800.
Gallagher Blk - 1 lot	20,000.	7,230.	27,230.
Hutchings Blk - $\frac{1}{2}$ lot	8,000.	11,570.	<u>19,570.</u>
	TOTAL .....		<u>\$192,895.</u>

The annual revenues derived from these properties are barely equal to the taxes which would otherwise be levied on them.

It is also significant that on Jasper Avenue, between 101st and 109th Streets, 20 vacant lots have been forfeited to the City for non-payment of taxes, and that these have a total assessed value of \$341,895.

Among the forfeited lands throughout the City there are at present 450 improved properties, 350 being dwellings, and 100 business premises. These yield to the City an annual revenue of approximately \$125,000. The revenue for 1936 derived from the renting of vacant forfeited lands amounted to \$25,000. As at this date the total number of home properties created stands at 1,930.

The peril of ultimate forfeiture of their properties now affects the minds of thousands of City residents, and present conditions warrant the prediction that unless appropriate action is taken the forfeiture of improved as well as unimproved properties will continue at an accelerated rate.



### 3. TAXPAYERS' PROTECTIVE ASSOCIATION OF EDMONTON.

This association was formed in 1936 and has for its object the reform of taxation in the City of Edmonton. It represents a wide-spread revolt against the increasing burden of taxation imposed upon real property. In order to achieve the ends it has in view the Association has seriously considered the advisability of recommending a general tax strike. It is impressed with the menace involved in the continuation of the present tax system.

The following facts and figures related to taxation appear in a recent publication of this Association, and they form the basis of an insistent appeal for immediate taxation relief.

Population (Federal Census 1936)	85,470	
Civic Electors - 1936 list	<u>50,434</u>	
Burgesses	11,384	
Non-Burgesses	1,351	
Corporation Burgesses	<u>388</u>	
Total Resident Property Taxpayers		13,123
Non-Resident Taxpayers		<u>3,169</u>
Total Property Taxpayers		16,292
Number paying Business Taxes	2,730	
All but 900 of these are also property taxpayers and are numbered with them -----		<u>900</u>
		17,192
Deduct non-residents		<u>3,169</u>
Total Taxpayers residing in City .....		<u>14,023</u>

These 14,023 taxpayers constitute 16.4% of the total population and 28% of the Civic Electors.

The publication referred to also contains the following observations:

"In 1936 the property taxpayers were asked to contribute \$2,936,444 general levy, \$428,721 frontage taxes, (and \$97,072 land taxes to the Provincial Government); a total of \$3,462,237, which amounts to \$212 per taxpayer, \$54.00 per capita of the adult population, or \$40 per capita of the whole population of the City."

"The number of taxpayers paying property taxes to the City in 1936 was 16,292 (including residents and non-residents). This is less than half the number in 1920. In 1936 there were 5,000 names added to the Voters' list while the number of Burgesses decreased."

"While the number of property taxpayers was reduced to less than half, the following increases (among others) have taken place in civic expenditures: The cost of

"EDUCATION has increased from \$740,000 in 1917 to \$1,439,375 in 1936. (Cost now equals \$88 per property taxpayer)."

"SOCIAL SERVICES (including Mothers' Allowance, Mental Defectives, T.B. Patients, Old Age Pensions and Unemployment Relief), increased from \$5,163 in 1919 to \$775,235 in 1936."

"INDIGENT RELIEF increased from \$3,146 in 1919 to \$117,730 in 1936."

"EDMONTON'S PAYROLL (all departments, including Utilities and Schools) increased from \$1,362,656 in 1919 to \$2,722,712 in 1923, and to \$3,009,507 in 1936."

"UNEMPLOYMENT RELIEF in 1936 cost the City \$704,251.53. This figure includes \$157,654.58 debenture charges on the amount capitalized to December 31st, 1936. This is equal to 13 mills on the taxes. And it equals \$43.00 per capita of the property taxpayers."

"Of the 364 self governing municipalities in Alberta only three (including Edmonton) grant adult suffrage in municipal affairs regardless of whether the voter contributes directly, indirectly or not at all to the support of the municipality, and we know of no municipalities in Canada outside of Alberta where universal suffrage is in effect."

"We quote Dr. Leland of Chicago University in saying:

"It is not in accordance with principles of democratic government that the balance of political power should be held by those who make little or no direct contribution to the support of the government."

#### 4. ANALYSIS OF CITY REVENUE AND CURRENT EXPENDITURE.

The following Tables are extracted from the 1936 issue of the City's Financial Statement and Reports:

##### Analysis of Revenue with Percentages:

	1929	1935	1936	%
<u>Real Property</u>				
Land & Buildings	\$2,907,404.26	\$2,958,821.29	\$2,936,444.53	64.114
<u>Other Taxes</u>				
Service Tax	61,106.14	30,000.00	30,000.00	.645
Business Tax	298,485.57	265,560.39	265,462.51	5.704
Licenses	64,781.20	65,388.70	64,731.96	1.174
Utilities	502,858.88	905,049.95	944,093.02	20.632
Miscellaneous	135,851.71	41,802.23	52,075.86	1.119
Gas Franchise	54,615.18	47,314.97	47,946.18	1.439
Departments	248,356.58	223,483.00	232,106.20	5.053
Surplus	.....	100,338.73	.....	.....
	<u>\$4,254,238.62</u>	<u>\$4,637,858.26</u>	<u>\$4,572,980.36</u>	100.
Deficit	.....	<u>129,799.31</u>	<u>621,205.09</u>	
	<u>\$4,254,238.62</u>	<u>\$4,767,657.57</u>	<u>\$5,194,065.45</u>	

##### Summary of Current Expenditures:

General Administ'n.	\$ 185,903.44	\$ 154,535.36	\$ 167,168.60	3.518
Protection of Persons & Property	520,641.43	468,032.28	464,228.48	8.977
Education	1,409,200.00	1,408,000.00	1,438,475.00	27.694
Health & Sanitation	171,673.88	180,265.00	189,992.70	3.600
Social Service & Welfare (not including direct relief)	286,542.65	406,174.93	388,814.58	7.402
Highways & Streets	133,432.01	104,929.15	115,455.42	2.123
Parks & Recreation	82,059.88	70,735.27	78,795.81	1.517
Unclassified (including relief)	174,318.10	629,731.45	765,863.12	14.775
Frontage Taxes on forfeited properties	<u>145,509.74</u>	<u>125,175.82</u>	<u>136,003.61</u>	<u>2.619</u>
Total for General Purposes	<u>\$3,109,281.13</u>	<u>\$3,547,579.27</u>	<u>\$3,744,817.32</u>	<u>72.000</u>
Debenture Interest & Redemption, Gen.	\$1,143,368.77	\$1,470,078.30	\$1,569,449.13	30.216
Deficit	.....	.....	<u>129,799.00</u>	<u>2.500</u>
	<u>\$4,252,649.90</u>	<u>\$5,017,657.57</u>	<u>\$5,444,065.45</u>	
Surplus	<u>1,588.72</u>	<u>250,000.00</u>	<u>250,000.00</u>	
	<u>\$4,254,238.62</u>	<u>\$4,767,657.57</u>	<u>\$5,194,065.45</u>	100.%

The following observations contained in the City Comptroller's Report, dated February 20th, 1937, emphasize the gravity of the financial position in which the City finds itself:

"The result of the operations for the past year was a deficit of \$621,205.09 as compared with a deficit of \$129,799.31 in 1935. To this item of \$621,205.09 must be added \$250,000 for Sinking Funds capitalized, and \$265,411. for Debenture Interest and Sinking Funds deducted from the levy in order to come within 55 mills, a total deduction from debenture charges of \$515,411.00, making a true operating deficit for 1936 of \$1,136,616.09, or a tax rate of 76.35 mills."

In striking the rate of 55 mills for the 1935 levy, its inadequacy was frankly recognized by the City authorities, but it was felt that a rate in excess of that figure would be deeply resented by the tax-paying public, and that, if imposed, a critical situation in the life of the City would rapidly develop. The disposition among many taxpayers not to pay taxes at all, and thus precipitate a crisis in City affairs, had at this time become more pronounced. It was also hoped that the financial plight of the City would soon receive the attention of its creditors, and that a readjustment of its bond indebtedness would result in early and substantial relief. The terms of the subsequent Debt Settlement will be indicated later.

5. FEATURES IN 1936 REAL PROPERTY ASSESSMENT.

The financial obligations now imposed on the City in respect to various Social Services of a national rather than a local character have become such an onerous charge on Real Property that some observations in regard to assessments should not in this review be out of place. They will serve to reveal one of the basic factors upon which the City feels justified in demanding a more equitable distribution of the burden of cost as between itself and the superior taxing authorities.

With the population of Edmonton at 85,470, and the total Real Property assessment for 1936 at \$54,063,000, the per capita assessment now stands at \$603. This, however, is not of particular significance, and a clearer picture may be obtained from a study of the following facts.

(a) Assessment of Residential Lots.

The assessment of inferior residential lots, 33' x 125', served with public utilities, varied from \$5 per foot frontage to \$15, and in better class localities from \$20 to \$70 per foot frontage.

The following is a typical example of a 7-room frame dwelling in a good class district:

Assessed value of lot, 50' x 150' .....	\$1,500
Assessed value of building .....	<u>5,000</u>
Total 100% value .....	<u>\$6,500</u>

As the assessment of the buildings is based on 50% of its estimated value, the amount subject to the tax levy of 55 mills would be

as follows.

Land .....	\$1,500
Building .....	<u>2,500</u>
Total assessment .....	<u>\$4,000</u>

Estimated Revenue & Expenditure

By rent @ \$45 per month .....		\$540.00
To taxes 55 mills .....	\$220.00	
Local Improvements Tax .....	15.00	
Prov. Govt. Social Service		
Tax 4 mills on land .....	6.00	
Depreciation 2 $\frac{1}{2}$ % .....	125.00	
Insurance - say .....	12.00	
Repairs - say .....	30.00	
Vacancies ... .. 10% .....	54.00	
BALANCE .....	78.00	
	<u>\$540.00</u>	<u>\$540.00</u>

On the above basis it will be noted that the gross rental is equal to 8.03% of the value of the property, and the net return 1.20%. Assuming, however, that the rent is \$50.00 per month, or \$600.00 per year, the gross revenue would be equal to 9.23%, and the net return 2.12%. In either case the result is wholly unsatisfactory. It is obvious that such a condition as here indicated, and which may be regarded as typical, offers no inducement to invest money in homes. It has already been noted that in 1936 there were 6,000 names added to the voters' list while the number of Burgesses decreased.

(b) Assessment of trackage property.

Lots with trackage facilities. Usually 50' x 150', are assessed at from \$170 to \$200 per foot frontage. These trackage lots, located in the warehouse area of the City, have been calculated to be 218 in

number. In 1934 they were occupied as follows: old dwellings, erected prior to the zoning of the area as "Wholesale Property", 52, hotels 2, vacant 32. Wholesale and other business houses 112. Total lots 218. It will be noted that roughly 50% of these trackage lots are not used for business purposes, and the most optimistic can hardly conceive their being used as such for many years to come. Unless relief from excessive taxation is secured the forfeiture of many of these lots is bound to occur.

(c) Assessment of business property on Jasper Avenue -  
main thoroughfare.

Starting from the corner of Jasper Avenue and 109th Street, 8 blocks west of 101st Street, the centre of the City, the assessment of lots approximately 50' x 150' ranges from \$250 to \$2,000 per foot frontage. The assessment of the corner lot on Jasper Avenue and 101st Street, occupied by the Canadian Bank of Commerce, now stands at \$2,700 per foot frontage, or \$225 per inch frontage. The assessed value of these lots, together with 60% of the assessed value of the buildings, is now subject to a tax rate equivalent to 5.4%. A Business Tax, based on rental values, varying from 10% to 25%, is also imposed by the City, the Bank premises already referred to being subject to a tax of 25%.

In support of a recent appeal against the assessment of an improved lot on the South Side of Jasper Avenue, near the centre of the City, the following figures were submitted by the agent of this property under oath. Ignoring the present depression cycle, the figures cover a period of 12 years - 1925 to 1936 inclusive.

1936 assessed value of lot - 51 2/3rd' x 150' .....	\$52,585
Investment by owner in building .....	<u>12,000</u>
	<u>\$64,585</u>

Revenue for twelve year period - \$72,812 - average yearly - \$6,067  
 Expenses for twelve year period - \$67,908 - average yearly - \$5,659.

Details of Expenses in connection with foregoing property.

Taxes .....	\$3,782
Insurance .....	148
Repairs & alterations .....	480
Sundries .....	62
Administration .....	304
Sinking Fund .....	163
Interest at 6% on investment in building .....	<u>720</u>
	\$5,659
Surplus .....	408
	<u>\$6,067</u>

It was argued that after making provision for interest at 6% on the cost of the building in question, the annual surplus of \$480, capitalized at 5%, gave an economic value to the land, assessed at \$52,585, of \$8,160.

The following is an instance of local taxation imposed on the business premises of the Edmonton Branch of the Canadian Bank of Commerce. It stands on a corner lot 50' x 150', on which is erected a 5 storey business block. The land is assessed at \$2,700 per foot frontage and the building on a basis of 60% of its estimated value. In 1936 the total assessment was subject to a tax of 55 mills. On this assessment the taxes amounted to \$16,144. A Business Tax was also imposed involving a further tax of \$3,037, the total land and business tax being \$19,181. Extraneous as it may be to the present study, it should be added that the Bank is also



subject to the Dominion Income Tax, the Provincial Income Tax and Corporation Tax, and shares among the Bank's Branches in the Province a tax of \$30,000 per year based on one-tenth of one per cent of the paid-up capital of the Bank.

(d) Inflationary character of Land Assessment.

Partly due to numerous successful assessment appeals, the assessment of real property in Edmonton was reduced in 1934 by roughly \$9,000,000, and the process, due to a progressive policy adopted by the City Assessor, still continues. It will be noted, however, that the peak assessment of land in the centre of the City still stands at \$2.700 per foot frontage - a value fully recognized to be excessive. In the central business area this lot is treated for the purpose of assessment as the "key lot", and the value set on adjoining lots diminish as they recede in distance from the "key lot" mentioned. The fact that some of the lots may be vacant and others improved has no bearing on the assessment. In various parts of the City "key lots" have been established, and a similar assessment practice as that mentioned above prevails.

While the City Charter requires the Assessor to assess property at its "fair actual value", it also provides that no assessment shall be changed by the Court of Revision or the Assessment Commission which appears to be in "practical uniformity" in regard to land values set throughout the City. The almost entire absence of a reliable criterion of land values, and the disposition on the part of City Councils to avoid relieving owners of vacant land at the expense of owners of improved

lands, has resulted in the maintenance of assessed values often greatly in excess of "exchange values" which the Courts have declared on many occasions to be the basis of "fair actual values".

Competent valuers have no hesitation in declaring that land assessments in the City reflect substantial inflation, some estimates being 25% and others as high as 50%. This is the basis upon which a levy of 27 mills is imposed for education, and 13 mills to meet the cost of Unemployment Relief.

Certain defects leading to deflation are also evident in the assessment of buildings and improvements. The general practice is to apply a rate to the ascertained cubic contents of a building, allowing varied rates of depreciation in respect to the age of the structure assessed. The cubic foot method, however, is often found to be misleading unless other factors are also used in determining "fair actual value". The propriety of recognizing and allowing for factors of "obsolescence" has so far received less attention than is necessary if inflation in the assessment of buildings is to be avoided.

In this connection an American authority recently said that Apartment Blocks in the States, built prior to 1920, have now become largely obsolete, one of the contributing factors being the common use of the radio and the necessity arising therefrom of having separate apartments sound-proof.

It has already been noted that the City's Real Property Assessment for 1937 is made up of the following items Land \$24,018,515, Buildings \$29,202,075; and Gas Franchise \$750,000. Total - \$53,970,590. Having

regard to the inflated land assessment, and that the average assessment of buildings is roughly 55% of estimated value, it is doubtful if an assessment of both land and buildings on the basis of 100% value totals more than \$70,000,000.

It has also been shown that the 1936 levy on Real Property was \$2,937,467, and that the result was an operating deficit for the year of \$1,138,616. While the actual levy was only 55 mills, the correct rate would have been around 75 mills. Basing the requirements of the City on a 100% assessment - now estimated at \$70,000,000 - the necessary levy in that case would be no less than 58 mills. This means a tax of 5.8% on the full value of all real property within the Urban Zone without regard to income bearing capacity and whether occupied or vacant.

With the present tax liability against real property, equivalent to a first mortgage bearing interest at 5.8%, it is hardly an exaggeration to say that in essence, if not in fact, the ownership of real property in Edmonton has to a considerable extent passed to the City, leaving the nominal owner a speculative equity which, in many instances, he is doubtful if he will ever be able to convert into cash.

An authority on taxation has said that "The power to tax is the power to destroy", and it can be asserted that the present system of land taxation in the City is not far removed in its results from a Socialist regime whose aim is the abolition of private ownership of real property by confiscation through the process of excessive taxation.

For comparison purposes the mill rates levied in 1936 in the following Western Cities are stated below:

VANCOUVER.

Land value 100%. Improvements value 50%. Mill Rate 37.87.

Made up as follows.	General	11.15 mills
	Loan	12.79 "
	Schools	12.49 "
	Social Services	<u>1.44 "</u>
	Mills	<u>37.87</u>

CALGARY.

Land value 100%. Improvements value 50%. Mill Rate 56.

Made up as follows:	General	16.1121 mills
	Debentures etc.	14.7364 "
	Hospitals	.9601 "
	Parks	.5053 "
	Schools	<u>22.7507 "</u>
	Mills	<u>56.00</u>

REGINA.

General, including		
Debt Services	26.34 mills	
Collegiate	5.90 "	
Government Tax	2.19 "	
Library	1.10 "	
Public Schools	<u>14.47 "</u>	
Mills	<u>50.00</u>	

WINNIPEG.

Land value 100%. Improvements value 56 2/3rs value.  
Tax Rate (including Schools 15.034 Mills)

Mills	<u>34.8</u>
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EDMONTON.

Land value 100%. Dwellings 50%. Business premises 60%.  
Mill Rate 55.

Made up as follows:	General	5.34 mills
	Debentures	22.66 "
	Schools	<u>27.00</u> "
	Mills	<u>55.00</u>

Having regard to the under-levy which the City found it necessary in 1936 to adopt, together with the fact that 70% of its revenue has to be extracted from Real Property, no difficulty should be found in recognizing the crumbling character of the City's main taxation base.

7. SUMMARY OF STATUTORY EXEMPTIONS - 1936 ASSESSMENT ROLL.

An analysis of real property in the City now exempt from taxation reveals a situation that requires consideration of the three taxing authorities. These exemptions are roughly equal to one-third of the City's assessment and they constitute valid grounds of complaint by the City taxpayer. It needs to be emphasized that exemptions from taxation are in fact a bonus, and that the loss of revenue resulting therefrom has to be absorbed by the public subject to taxation. The following Table indicates the Statutory exemptions now in force in the City of Edmonton.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Dominion Government	\$ 435,320	\$1,575,900	\$ 2,011,220
Provincial Government	427,465	2,478,370	2,905,835
Churches	231,210	775,380	1,006,590
University, Colleges, Hospitals & Institutions	1,068,710	4,728,970	5,797,680
Public School Property	363,345	2,229,360	2,592,705
Separate School "	96,940	231,700	328,640
City of Edmonton	1,688,835	1,231,430	2,919,465
Cemeteries	38,190	60,000	98,190
	<u>\$4,343,935</u>	<u>\$13,311,110</u>	<u>\$17,654,645</u>

In the 1921 Report on Assessment and Taxation by the late Commissioner C. J. Yerath, the following observations on exemptions appear:

"It has been customary to exempt from taxation church property and that of schools, colleges and other organizations assumed to be doing a public service. In the case of Provincial and Federal Government property it would appear to be only reasonable that it should pay taxation to the Municipality in which it is located, in order that the burden can be more evenly distributed over the Province and Dominion respectively."

Among the tax exempt properties in the City owned by the Dominion Government are the following.

	<u>Assessed value of Land</u>	<u>Assessed value of Buildings</u>
Dominion Government Elevator	\$ 8,170	\$ 780,000
Armouries - Prince of Wales	9,400	180,000
Immigration Hall	4,100	50,000
Post Office	170,000	400,000
Royal Canadian Mounted Police	20,250	53,000
Penitentiary Grounds (71 acres)	132,420	10,000
Post Office (South Side)	5,000	49,000
Connaught Armouries (South Side)	1,680	35,000
Rifle Ranges (182 acres)	<u>54,600</u>	

Among the tax exempt properties in the City belonging to the Provincial Government are the following:

	<u>Assessed value of Land</u>	<u>Assessed value of Buildings</u>
Legislative Buildings	\$ 188,000	\$ 1,500,000
Administration Buildings	45,360	510,000
Government House	75,000	111,000
Land Titles Office	27,000	92,000
Court House	<u>32,000</u>	<u>240,000</u>

Attention is directed to the fact that the Provincial Government is exempt from the Business Tax on the premises rented for the purpose of carrying on its profitable business controlled by the Alberta Liquor Board. The estimated rental of these premises is \$1,200 per month. A business tax based on the rate applied to Banks, Railway and Express offices would in this single case add to the revenue of the City \$3,600 per year.

An examination of the data now submitted cannot but lead to the conclusion that in relation to the total assessment of real property in the City the exemptions are entirely out of proportion, and that the services rendered by the City including Police and Fire protection entitle it to a

substantial cash contribution from Federal and Provincial sources.

It may be of interest to note that while Crown properties in England are usually exempt from taxation, the Crown makes an ex gratia contribution to the Local Authority in lieu of rates, this being generally equivalent to what would have otherwise been levied.



8. CITY'S REVENUE FROM SOURCES OTHER THAN LAND TAXATION.

From the facts already noted it will be obvious that but for the revenues derived from sources other than land taxation, complete fiscal collapse would have been the fate of the City long ago. Its escape from that fate has been largely due to the profits earned by the City's Utilities. The supplementary sources are mainly as follows.

(a) Business Tax.

From this source the City in 1936 derived a revenue of \$265,462. This tax was first imposed in 1918 and is based on the estimated rental value of business premises. The tax is graded from 6% to 25% of the rental revenue, and in Edmonton is classified as follows:

Factories & Workshops	6%
Retail Stores, Real Estate and Insurance agents etc.	10%
Wholesale Merchants, Doctors, Lawyers, Trust Coys., etc.	15%
Banks, Railway and Express Cos.	25%

In all the Cities in the Province a Business Tax is in force and is based on rental value. The rates imposed are as follows:

Edmonton	6% to 25%
Calgary	6%
Lethbridge	1%
Medicine Hat	10%
Red Deer	4 1/2% to 15 1/2%
Wetaskiwin	10% to 25%
Drumheller	6%

The imposition of this tax was primarily designed to obtain for the City a share of the profits derived from various business enterprises, but it is doubtful if the tax so imposed bears much if any relation to profits earned. In existing circumstances, however, this

form of taxation cannot be abandoned until a sounder structure for raising revenue to meet the Cities needs has been established. With shrinking rents this tax is becoming less productive, Edmonton's revenue in 1929 being \$53,000 more than that of 1936.

(b) Profits from Public Utilities.

In 1936 the profits from the City's various utilities resulted in a contribution from these sources to the City of \$944,093 - a sum in excess of 20% of the City's total revenue. After deducting operating charges the profits for 1936 amounted to \$1,754,670.39, and after deducting depreciation, operation expense and interest and sinking fund payments, the net profit stood at \$944,093. The contributions of each of the City's Utilities in relief of taxation are indicated below.

Results for Year Ended December 31st, 1936.

Electric Light	\$ 258,953.85
Power Plant	334,723.86
Street Railway	17,893.24
Telephone	203,150.22
Waterworks	<u>129,371.95</u>
	\$ 944,093.02

(c) Government Grant in lieu of Service Tax.

In 1936 the revenue derived from this source amounted to \$30,000. It is a contribution by the Provincial Government in lieu of a Service Tax which the City for many years imposed. Single persons with an income of over \$1,000 per year and married persons with an income of over \$1,500 a year were liable for this tax. A maximum tax of \$250 was levied on incomes exceeding \$5,000. In the case of property owners this tax was set off against the land tax, the greater of the two only

being paid. In 1932 the right of the City to levy this tax was withdrawn by action of the Provincial Government who, in order to obtain a clear field for the levying of a Provincial Income Tax about to be imposed, agreed to compensate the City with a grant of \$60,000 a year for 1932 and 1933, reducing it in 1934 to \$45,000, and in subsequent years to \$30,000 at which figure the grant now stands. There is no assurance of its continuance.

Due to the pressure of financial need on the part of the City, and a widespread desire to secure a broader taxation base, a request by the City Council was made to the Provincial Legislature at its 1937 Session to have the right to impose a Service Tax restored, but the authority to do so was not obtained.

It may be added that the refusal on the part of the Legislature to authorize the restoration of this tax was based primarily on the ground that if acceded to it would be tantamount to the imposition of three Income Taxes, and this was regarded as undesirable. In addition to this objection, the validity of which is hardly open to dispute, the demand was not supported by any representations from the other Cities of the Province and it was felt that the privilege of a broader base of taxation being granted to one City would of necessity have to be granted to all.

With the problem of a steadily diminishing number of burgesses on the one hand, and an impressive increase in the number of renters on the other hand, the City's problem of securing a more equitable contribution to Civic revenues on the basis of "ability to pay" from the latter class is one that has yet to be solved.

9. CITY'S FINANCIAL OBLIGATIONS.

(a) Unemployment Relief - Summary of Expenditures.

The following summary is extracted from the 1936 Financial Statements and Reports of the City of Edmonton a copy of which is attached hereto and marked "Exhibit B".

Year	Gross Expenditures	Contributed by Dominion & Prov. Govt.	Net Expenditure by City
1930	\$ 39,158.66	\$ 1,500.00	\$ 37,658.66
1931	611,337.91	397,978.87	213,359.04
1932	1,030,824.31	665,425.29	365,399.02
1933	1,040,958.18	661,823.10	379,135.08
1934	1,096,332.14	635,228.89	461,103.25
1935	1,098,053.31	582,500.00	515,553.31
1936	<u>1,228,095.95</u>	<u>679,500.00</u>	<u>546,596.95</u>
Total ..	<u>\$6,142,761.45</u>	<u>\$3,623,956.15</u>	<u>\$2,518,805.31</u>
	Amount charged on Funded Basis	Amount charged to Current Account.	Total City Expenditure
1930	\$ nil	\$ 37,658.66	\$ 37,658.66
1931	200,000.00	13,359.04	213,359.04
1932	250,000.00	115,399.02	365,399.02
1933	250,000.00	129,135.08	379,135.08
1934	250,000.00	211,103.25	461,103.25
1935	250,000.00	265,553.31	515,553.31
1936	<u>nil</u>	<u>546,596.95</u>	<u>546,596.95</u>
	<u>\$1,200,000.00</u>	<u>\$1,318,805.31</u>	<u>\$2,518,805.31</u>

In addition to the cost of Unemployment Relief the following figures indicate the cost of various Social Services borne by the City during the years mentioned below:

(b) Social Service and Welfare.  
(Not including Direct Relief)

	1929	1935	1936
Library	\$ 48,671.00	\$ 49,863.00	\$ 50,000.00
Children's Aid	18,080.00	22,548.96	24,909.11
Civic Relief	50,882.87	98,918.76	117,730.36
Grants	45,245.40	38,336.55	38,384.16
Royal Alexandra Hospital	65,000.00	104,429.74	85,867.34
Mental Defectives	3,169.00	5,815.13	5,480.72
T. B. Patients	10,231.43	23,193.74	7,076.21
Old Age Pensions	-----	19,758.35	21,802.61
Mothers' Allowance	45,321.75	43,310.70	36,544.08
	<u>\$286,542.65</u>	<u>\$406,174.93</u>	<u>\$386,814.58</u>

It will be noted that the cost of these particular Social Services in 1936 exceeded by more than \$100,000 the cost of the same services in 1929.

In a previous Table it is shown that the cost of Unemployment Relief has already been capitalized to the extent of \$1,200,000, the annual charges in this respect amounting to no less than \$157,634. With this latter sum added to the City's share of cost, the total for 1935 stood at \$704,252 - a sum equivalent to 13 mills on the current assessment.

Much could be said as to the impropriety of capitalizing the cost of services which do not create corresponding assets. One effect is to "water" all outstanding City debentures, rendering them less marketable and their retirement at maturity less certain.

It must be obvious that in a City 33 years old the cost of regular Social Services amounting in one year to \$386,814 might well be regarded as a generous contribution from the public purse, but with the additional cost of unemployment relief amounting to \$704,252 a sense of gross injustice among City taxpayers has become widespread and a demand for early relief from this crushing burden insistent.

The sense of injustice is accentuated by the fact that while as at the end of 1936 there were in the City 10,700 people receiving relief from public funds, no less than 3,465 had come to the City and gone on relief since 1930. From January 1st to August 1st of the present year 332 families, totalling 1,028 persons, from outside municipalities, have become recipients of City relief. It should also be noted that the City's estimate for 1937 in respect to Unemployment Relief exceeds that of 1936 by \$19,000.

The injustice felt by the taxpayers of the City becomes still more acute when the enormous cost of Unemployment Relief is viewed in relation to the restrictive character of the City's taxation base. The burden is carried almost entirely by the owners of real property, and these, it must be emphasized, are a steadily diminishing number. All other types of wealth escape. The shrinkage in value of real property resulting from this and other onerous impositions can be calculated in millions of dollars, and is tantamount to a Capital Levy destructive of real estate equities.

In a recent brief submitted to the Alberta Tax Inquiry Board on behalf of the City of Calgary by Mr. L. W. Brockington K.C., reference to the present practice of charging the cost of various Social Services almost solely to land was made in the following terms:

"It seems hardly credible that a citizen owning say a \$2,000 home should be asked to contribute by way of taxes on that home toward the City's share of relief expenditures, nearly the whole cost of education, nearly the whole cost of municipal administration, while a person in possession of say \$100,000 in Dominion Bonds is not required as a citizen to make any contribution whatever."

"Owing to a system that places on one class of taxpayer, namely, the householder a burden for social services, education and relief, merely because he has invested his small savings in a dwelling for himself and his children, the real property taxpayers' attitude toward unemployment relief is one of resentment born of the firm belief that he is treated with economic injustice."

In view of the fact that the matter of Unemployment Relief is now engaging the attention of all governments throughout Canada, it would be a mere reiteration of the obvious to say that the financing of this social service has assumed such proportions as to make it a national rather than a local obligation, and further delay in dealing with it as such is bound to lead to the collapse of municipal finance.

A memorandum prepared by the City Comptroller entitled "Statistics Relating to Direct Relief Expenditures in 9 Western Cities for 1936" is attached hereto and marked "Exhibit C".

(c) Cost of Education.

The following Tables indicate the financial situation of Edmonton's Public and Separate Schools as at December 31st, 1936.

Edmonton Public School District #7.

<u>Expenditure.</u>	
Financial Charges	\$ 264,113.28
Instructional Expense	990,702.06
Administrative Charges	26,553.91
Medical and Dental Service	31,246.06
Operation of Buildings	109,402.91
Maintenance of Buildings & Equipment	84,546.46
Miscellaneous	<u>36,570.74</u>
Total as at December 31st, 1936 .....	\$1,545,235.42

<u>Revenue</u>	
City of Edmonton Tax Levy	\$1,260,000.00
Provincial Government Grants	100,000.00
Non-Resident fees	11,151.00
Rent of Schools	1,238.73
Transfer from net Revenue Surplus	12,000.00
Sundries	13.25
Salary Contribution to Unemployment Relief	139,363.76
Evening Classes Fees	1,267.70
	<u>\$1,525,234.44</u>
Deficit for year 1936 .....	<u>20,000.92</u>
	<u>\$1,545,235.42</u>

Edmonton Separate School District #7.

Expenditures ..... \$ 179,408.32

<u>Revenue.</u>	
By City of Edmonton Levy	\$163,475.00
By Provincial Govt. Grant	13,774.37
By Rents	515.34
By Pupils' Fees	1,641.69
By interest earned	<u>1.92</u>
	<u>\$ 179,408.32</u>

From the foregoing Tables it will be seen that to meet the financial needs of the Public and Separate Schools in Edmonton the 1936 levy on real property amounted to \$1,423,475. and that this involved a rate of not less than 27 mills. For that year the actual cost of this service was \$1,714,643. Towards this cost the School Staff contributed by way of deductions from salaries the sum of \$139,565 and the grant from the Province amounted to \$113,774. This grant, it should be noted, is approximately 7% of the total cost.

In the light of the growing appreciation of the national character of education and its social and economic value to the country as a whole, this trifling contribution by the superior taxing authority of 7% of the



cost is one of the chief factors responsible for the strained relationship that has developed between the Cities of the Province and the Provincial Government.

The inadequacy of Provincial grants to education is further emphasized by the fact that 93% of the cost of this service in Edmonton is charged solely to real property. No other type of wealth in the City is at present called upon to make an equitable contribution. It is usual to refer to wealth as belonging to two classes, tangible and intangible, and the City of Edmonton provides the spectacle of the tangible class compelled to bear 93% of the cost of education, while the intangible class escapes altogether. The obvious injustice of the present system of financing education cannot be disputed. It is antiquated, inadequate, and wholly out of line with methods adopted in other parts of the British Empire, and appropriate remedies have become a matter of extreme urgency.

It may be added that throughout the English speaking world the trend in the direction of larger grants for education from Central Governments has become pronounced, and recent figures obtained indicate the gradual abandonment of the primitive policy of leaving the financing of this service to the exigencies of local finance. In Great Britain grants from the National Government in support of education, both elementary and secondary, exceed 50% of the total cost. In South Africa local School Boards no longer exist. The government administers higher education directly and pays most of the cost of elementary and secondary education. In New Zealand education is administered by the Department of Education, and Primary Schools are under the control of nine Educa-

tion Boards. There are no rural or municipal School Boards in that country. In the United States grants from State governments now average 30% of the cost of Education. The inefficiency of dependence upon local support for the financing of education is now being widely recognized there, and many of the States are devising ways and means by which the basis of support can be broadened.

(d) Federal Grants to Technical Education

In 1919 the Federal Government passed an Act authorizing for a period of ten years the payment of grants to Provincial Governments in aid of Technical Education, and during that period the Alberta Government received a total of \$708,861 a great proportion of which went to the Provincial Institute of Technology in Calgary. Representations have since been made to the Federal Government with the object of having this grant restored but without success. In view of the fact that this type of education is closely related to the Trade and Commerce of the nation, and that modern social and economic conditions warrant its active promotion, it is widely felt that substantial grants from the Federal Treasury in support of Technical Education should now be made.

(e) Deferred Capital Expenditures.

On the authority of Mr. G. A. McKee, B.A., Superintendent of Public Schools Edmonton had the most inadequate High School plant of any City of its size in Canada. It work is carried on under a great handicap. Only a very small minority of pupils are able to start and finish their High School careers in one school. Some have

to attend three different schools during a four year period. Almost every classroom is overcrowded. In the centre of the City, Victoria High School with a normal capacity of 456 pupils, has to take care of 660 pupils. This is done by means of portables and basement rooms. The Technical School is quartered in a building that was built for a market. It is estimated that \$1,500,000 is now required to bring the High School system up to its present requirements. A further \$380,000 is also required to meet the present needs of the Public School system. Under the present method of financing Edmonton's Schools, the prospect of finding the money to meet the needs alluded to is exceedingly remote.

The factors responsible for this lamentable situation are obvious. Apart altogether from the City's obligations in regard to debt charges, administration costs, and ordinary social services, the cost of Education and Unemployment Relief is now equivalent to 40 mills on the total assessment

With taxation of real property, bordering on confiscation, an impaired civic credit, an almost complete cessation of building activity, a reluctance on the part of people to buy homes, and with the mentality of the taxpayer becoming increasingly morbid, any further capital expenditure to meet the expanding needs of education in the City is definitely blocked.

In the financing of Education the absence of coordination between the three taxing authorities is one of its chief characteristics. It reflects a strained if not a distorted interpretation of the principle of "local autonomy" which experience and common sense alike cannot but

condemn.

The gravity of the situation now indicated is causing the City's educational authorities the greatest concern, and the following extracts are taken from memoranda submitted by Mr. G. A. McKee, Superintendent of Public Schools, and by Dr. C. B. Willis, Director of Guidance.

(f) Observations by Mr. G. A. McKee.

"In Canada we have three forms of Government - Federal, Provincial and Municipal. The Federal Government is a coordination of departments. The Provincial Government is also a coordination of departments. When we come to Municipal Government, we find an anomalous situation existing. We have one body governing our public works, utilities, etc., another governing body managing our schools, another governing body managing our hospitals; another governing body managing our libraries - all phases of one Governmental service, and all making their financial demands on practically the same set of taxpayers. Coordination exists only by the grace and courtesy of the bodies concerned. Such a form of organization cannot be other than expensive and possibly inefficient."

"Education is a Provincial responsibility, according to our constitution. On account of this constitutional responsibility, and on account of its preponderating influence in determining the service, the Provincial Government is under obligation to share, to a much greater extent in the financing operations of the schools. It has sources of taxation greatly in excess of those possessed by any Municipality."

Mr. McKee holds the view that, in keeping with its constitutional responsibility, the Province should assume the entire responsibility for the operation and financing of the schools. The administration of education would then become part of the Civil Service, as it is in some other progressive countries. Failing this solution, he suggests that the Province should substantially increase its grants to the Public Schools, and that it should share in financing the cost of secondary education

on a 50-50 basis. He also suggests that the Province should make substantial subventions toward the erection of school buildings.

(g) Observations by Dr. C. B. Willis

"Education in the past was somewhat of a local matter, but in recent years, due to more rapid methods of travel and also to the vastly more rapid and increased possibilities of communication, education has tended to become more of a Provincial and indeed a Dominion matter. Other factors, such as immigration and the need for a citizenry more enlightened along the matters of finance, international relations, etc., have caused education to be of more vital significance to the Dominion than formerly."

"The two senior Governments are taking more and more control over the life of the individual in such ways as conscription and the provision of many services such as police, health, etc. They are also taking more and more of the individual's income, and this process of higher taxation and more state services will be still further augmented. .... It would seem to be a logical consequence of this situation that the Dominion and Provincial Governments should provide a larger measure of the support of education than at present, since they are now more vitally interested in an educated citizenry than formerly."

Dr. Willis suggests that an ideal solution of the problem would be for the Dominion Government to assume one-third of the cost of technical education, one-half of the cost of adult education, and the full cost of the education of new adult Canadians, and that the Provincial Government assume a larger part of the cost of elementary and secondary education.

The memoranda from which these extracts are quoted contain suggestions of value and they are attached hereto and marked "Exhibit D".

(h) Cost of other Social Services

A table has previously been submitted showing the cost in 1936 of Social Service and Welfare provided from the restricted revenues of the City, the total for the year being \$368,314. Of this sum \$136,850 was required to cover the cost of Hospital, Mental Defectives, T.B. patients,

Old Age Pensions, and Mothers' Allowance. Again it must be said that the national character of these services warrants the contention that their financial support should rest on a broader taxation base than that possessed by the Cities of the Province.

(i) The Provincial Social Service Act.

This Act was passed by the Provincial legislature in 1936 and takes the place of the Supplementary Revenue Act which first came into force in 1918 as a war measure. The original Act provided that a rate of 2 mills on the dollar of the total equalized assessed value of municipalities be levied and paid to the Provincial Treasury. In the case of the City of Edmonton the equalized assessment of lands in the City, with buildings and improvements exempt, now stands at \$32,300,000. In the present year, however, the City's land assessment stands at the reduced figure of \$24,018,515. The new Act requires a levy of 3 mills instead of 2 mills on the equalized assessment, thereby constituting an increase of taxation in respect to this particular impost of 50%. In order to raise the required amount a levy of 4 mills on Edmonton's local land assessment is now necessary. In 1935 this tax, payable to the Provincial Government, amounted to \$63,923. In the succeeding year it had increased to \$97,070. It must be stated however that as an offset to the increased tax of roughly \$34,000 the Provincial Government has agreed to assume the whole cost of T.B. rates previously borne by the City, and a larger share of Mothers' Allowance. These represent a sum equivalent to the increased taxation of 50% recently imposed under

the Social Service Act. It must be observed however that this arrangement brings no relief to the City Taxpayer.

Various representations have been made to the Provincial Government in respect to the imposition of this Tax. It is felt that in view of the fact that the burden of taxation on land in urban municipalities has reached a stage confiscatory in character, the Government should retire from this field and obtain its necessary revenue from sources other than land. This is an instance that suggests the need of a redefinition of the respective "fields of taxation" as between the Province and the Municipalities.

It should be pointed out that the four mill tax on land in the City of Edmonton imposed by the Provincial Government under the Social Service Tax Act raises a sum each year which is only slightly less than the total Government grant to the Edmonton Public School Board. The fact that the City's levy of 27 mills for the financing of its schools, and the levy of 4 mills in respect to the Social Service Tax, are both levied solely on land, and this by two separate taxing authorities, not only discloses unnecessary duplication, but greatly strengthens the justice of the City's claim for relief.

The following is a Summary of the main obligations in respect to various Social Services borne in 1936 by the City of Edmonton:

Cost of Education .....	\$ 1,438,475.
Cost of Unemployment Relief . ....	546,595.
Cost of other Social Services .....	<u>388,814.</u>
Total cost ... ..	<u>\$ 2,373,884.</u>

# 10. CITY OF EDMONTON FUNDED DEBT.

The gross Funded Debt of the City, (exclusive of Schools) as at December 31st, 1936, stood at \$32,873,893. The Net General Debt will be seen by making the following deductions:

Gross Funded Debt .....			\$32,873,893.88
(1) Utility Depts.	\$ 7,225,104.14		
(2) Local Impts.	<u>2,938,198.46</u>		
		\$10,155,302.60	
(3) Sinking Fund Invest.			
on Gross Funded Debt	\$12,074,890.91		
Less Sinking Fund on			
foregoing specially			
rates & revenue			
producing debt .....	<u>3,612,720.88</u>		
		\$ 8,462,170.33	
			\$18,617,472.93
Net General Debt .....			\$14,256,410.90

## Schools' Debenture Debt.

The Net Debenture Debt of the Edmonton Public and Separate School Districts as at December 31st, 1936, was as under:

	1935	1936
Edmonton Public School Dist.....	\$ 3,550,114.38	\$ 3,471,884.60
Less Sinking Fund Investment .....	<u>734,118.19</u>	<u>795,412.01</u>
	\$ 2,795,996.11	\$ 2,676,472.59
R.C. Separate School Dist.....	<u>820,933.30</u>	<u>346,800.00</u>
	\$ 3,166,929.41	\$ 3,023,272.59

### (a) Recasting of City's Debt Structure.

With a large cash shortage resulting from an under-levy of approximately 20 mills, a heavy bank overdraft, inability to meet accruing obligations, impossibility of further financing by way of debenture issues,



and failure to obtain assistance from the senior governments, the City found that unless an alleviation of its debt burden was immediately secured a partial default could not be avoided.

The City Council therefore opened negotiations with representatives of the City's Debenture Holders with the object of securing an easement of the burden of debt charged which would enable the City to maintain its credit by meeting its obligations as they fell due. The result was the acceptance by the City and the School Boards of a plan of adjustment particulars of which are contained in a statement issued by the Edmonton Debenture Holders' Committee, a copy of which is attached hereto and marked "Exhibit E".

The main features of the Plan are as follows:

- (1) An extension of the dates of maturity on all City bonds to 1937.
- (2) On the maturity of original bonds the rate of interest to be reduced to a common level of  $4\frac{1}{8}\%$ .
- (3) The abandonment of the Sinking Fund Plan for the Serial Bond Plan.
- (4) The release of money in the City's Sinking Fund for the promotion of various necessary public works, funds for which would not be otherwise available.
- (5) Provision in the Plan giving the City the right of call in respect to its debentures on any interest-due date.

In a memorandum submitted to the City Council by Alderman East, chairman of the special committee appointed to negotiate the settlement with the Bond Holders' Committee, the following advantages of the Plan are enumerated:

- (1) It gives an immediate advantage of \$1,050,000 a year plus additional utility returns at a time when they are most needed.
- (2) It gives the City the right of call in the event of cheaper money being available, with an established rate of 4 $\frac{1}{2}$ % even if money becomes dearer.
- (3) It provides funds for a works' programme which will ameliorate the unemployed situation, and enables the City immediately to develop a power house and telephone system, thus increasing profits for the benefit of the taxpayer.
- (4) It removes the anxiety over meeting the redemption of our present bonds as they mature.

The announcement of the City's acceptance of the Plan was followed by considerable public criticism. It was felt by many that interest rates on the City's bonds, some as high as 5 $\frac{1}{2}$  & 7 $\frac{1}{2}$ %, should have been reduced at once rather than postponed until the various dates of bond maturities. It was also felt that the present levy of 54 mills on real property was a burden beyond the capacity of the taxpayer to carry, and that the settlement did not bring with it any prospect of a substantial reduction of the mill rate now in force.

By the acceptance of the plan of readjustment, however, a forward step was taken which now makes it possible for the City to take advantage of any practical refunding scheme designed to lower the interest burden, and it is hoped that action in this respect will soon be taken. Between the Province and the Municipalities a partnership in a common cause exists, and it is in the light of this relationship that the problem of Public Debts can best find a satisfactory solution.

# FINANCIAL STATISTICS

for the year 1936.

## CITY OF EDMONTON.

Assessed value for taxation .....	\$ 54,063,020.00
Exemptions not included above .....	14,341,920 00
Tax Rate 1936: General 5.34, Debentures 22.56; Schools 27.00, total	55 M
Total accumulated Tax Arrears as at end of Fiscal Year .....	6,154,873.19
Amount of Tax Levy .....	3,756,720.55
Amount of Tax Levy Uncollected .....	736,311.77
Value of Municipality's Assets, December 31st, 1936 .....	\$ 39,720,411.46
Total Debenture Debt .....	32,873,823.83
Total Sinking Fund (as divided below) .....	12,072,090.91
Amount of Sinking Fund in Arrears .....	nil

### Analysis of Debt and Sinking Fund Divided as follows:

Public Utilities.	Debentures Outstanding	Sinking Fund on hand
Electric Light .....	\$ 706,483.64	\$ 210,100.22
Power Plant .....	1,131,352.44	340,271.96
Street Railway .....	964,040.98	273,509.54
Telephone .....	1,472,821.31	418,422.61
Waterworks .....	3,344,406.77	1,125,852.12
	<u>\$ 7,225,104.14</u>	<u>\$ 2,368,296.45</u>
Local Improvements:		
Ratepayers' Share .....	\$ 2,939,192.46	\$ 1,244,412.13
* General Debenture .....	<u>22,712,561.23</u>	<u>8,462,170.33</u>
	<u>\$ 32,873,823.83</u>	<u>\$ 12,672,950.91</u>

\* Of this debt \$5,023,366.72 is  
exempted from Provisions af-  
fecting the City's Borrowing Power.

Amount of the total Outstanding Bonds, as indicated above, issued by the instalment method .....	\$ 345,941.72
Amount of the total Outstanding Bonds issued by the Sinking Fund Method .....	32,522,040.05
Amount of Bonds Guaranteed by Municipality .....	nil
Amount of Debentures, such as Schools, not included in the above, for which the Municipality levies taxes .....	3,023,671.93
Total other Liabilities including Floating Debts .....	3,511,667.76

Current Revenue, Year 1936, \$3,164,592.23: Expenditure .....	\$ 3,785,997.32
---	-----------------

	Profit after Deducting operating charges only	Net Profit after Dedtg. Deprecia- tion Oper'n Exp. and Int. and Sinking Fund on Debt
Public Utilities:		
Results for Year ended December 31st, 1936:		
Electric Light .....	\$ 313,660.05	\$ 252,251.95
Power Plant .....	492,042.56	334,723.96
Street Railway .....	159,878.25	17,993.24
Telephone .....	396,486.79	203,150.22
Waterworks .....	411,607.03	129,371.95
	<u>\$ 1,754,670.38</u>	<u>\$ 994,093.02</u>

COMPARATIVE MUNICIPAL STATISTICS 1932 - 1936  
CITY OF EDMONTON

	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>
Population .....	73,397	79,231	79,773	81,621	85,696
Bank Clearings..	\$194,386,935	\$173,437,840	\$189,164,864	\$199,411,079	\$197,082,175
Building Permits	1,093,045	428,560	479,198	576,535	896,440
Net Assess. (Mun)	\$ 66,099,395	\$ 65,756,720	\$ 56,475,850	\$ 54,613,530	\$ 54,067,020
Tax Rate (Mills)	52.00	50.00	64.00	55.00	55.00
<b>TAX LEVY:</b>					
(1) Gen. (Inc. Schools)	\$ 3,399,829	\$ 3,252,756	\$ 3,544,259	\$ 2,965,560	\$ 2,933,504
(2) Spec. Frtg., Bus. Supp. Rev. & other taxes	1,024,160	803,266	845,475	777,422	821,256
Gross Tax Levy	\$ 4,423,989	\$ 4,136,022	\$ 4,409,734	\$ 3,742,982	\$ 3,755,760
<b>TAX COLLECTIONS:</b>					
(1) Current Taxes Inc. Discount....	\$ 3,390,565	\$ 3,069,339	\$ 3,184,518	\$ 2,950,817	\$ 3,017,249
(2) Tax Arrears.	643,305	676,868	785,261	994,047	877,527
Total Taxes Collected (Inc. Arr. & Disc.)...	\$ 4,033,870	\$ 3,746,206	\$ 3,969,779	\$ 3,944,864	\$ 3,891,776
Percentage of Current Taxes Collected .....	76.54	74.21	72.22	78.83	80.31
Land forfeited and Tax Arrears Outstg. Net ...	\$ 5,729,006	\$ 6,175,698	\$ 6,451,793	\$ 6,350,282	\$ 6,154,266
<b>GROSS FUNDED</b>					
DEBT (City) ....	\$ 36,855,136	\$ 31,533,559	\$ 30,942,718	\$ 32,820,816	\$ 32,873,794
Deduct Revenue producing debt.	15,160,730	9,826,566	9,396,210	10,254,079	10,155,302
	\$ 21,694,398	\$ 21,706,993	\$ 21,546,508	\$ 22,566,737	\$ 22,718,492
Less S.F. on Gen. Debt .....	5,953,096	6,582,013	6,612,527	7,637,952	8,422,171
Net City Funded General Debt ..	\$ 15,740,492	\$ 15,124,980	\$ 14,933,980	\$ 14,928,785	\$ 14,296,311
Net Public & Separate School Debt. Debt ....	\$ 3,590,955	\$ 3,452,270	\$ 3,310,972	\$ 3,166,719	\$ 3,022,672
Net Surp. Utilities .....	\$ 707,810	\$ 750,353	\$ 976,904	\$ 905,049	\$ 944,093
Gross Earnings Public Utilities	\$ 3,762,324	\$ 3,617,045	\$ 3,621,944	\$ 3,726,297	\$ 3,917,246
St. Rly. Passengers ....	12,168,125	11,321,145	12,069,396	13,151,974	13,904,716

III.

CITY OF CALGARY.

The City of Calgary was incorporated in 1893 and is now 44 years old. It has an area of 25,290 acres. At present its estimated population is 33,304. In 1931 it stood at 21,436. It is served by 110 miles of gravel and 67 miles of paved streets. In 1936 there were 17,229 telephone subscribers, 21,752 consumers of light and power and 17,550 water consumers. The City is the centre of a large agricultural and ranching territory, has the advantage of proximity to the Turner Valley Oil Fields, and is the financial centre of the Province of Alberta.

1. (a) Assessment and Taxation.

The City of Calgary, in common with other Cities of the Province, derives its annual revenue from the following sources:

1. Land Taxes based on the assessment of land at 100% value, dwellings and business premises at 50% of estimated value.
2. Business taxes based on rental value of premises occupied.
3. Profits from City Utilities.
4. Franchises.
5. Provincial Grants to Education, Hospitals, Library, and other social services.
6. Provincial Grant in lieu of abandoned Service Tax.
7. Departmental Revenue, Licenses, and Miscellaneous Sources.

In accordance with provisions of the City Charter, land is required to be assessed at "fair actual value", and buildings at from 50% to 100% of value. The percentage of the value of business premises - 50% - is somewhat less than rates at present in force in other Cities of the Province.

For many years the Single Tax principle was adopted by the City, but was abandoned as being unsatisfactory in 1912. In 1914 the land assessment had reached the inflated figure of \$100,000,000. By periodical reductions it now stands at \$24,029,878, and the process of deflation steadily continues. The following figures indicate the assessment of both land and buildings for the years stated:

	<u>1933</u>	<u>1934</u>	<u>1936</u>	<u>1937</u>
Land	\$26,119,095	\$25,151,455	\$24,029,870	\$23,241,410
Buildings	34,719,580	34,552,135	31,905,705	31,734,855
Franchise	<u>1,739,481</u>	<u>1,743,352</u>	<u>1,791,317</u>	<u>1,796,816</u>
Total Assessment -	<u>\$62, 77,096</u>	<u>\$61,456,942</u>	<u>\$57,616,900</u>	<u>\$56,773,081</u>

Despite the substantial reductions in the City's assessment over a period of years, competent authorities hold that considerable inflation in land values still exists, and that values set for assessment purposes are generally in excess of "fair actual value".

The peak assessment of land occupied by business premises in the centre of the City on the main business thoroughfare stands at present at \$2,700 per foot frontage. Even in normal times this value set for assessment purposes is much in excess of economic value.

Sales of real property during periods of depression cannot of course be regarded as a criterion of normal values, but two instances of recent sales of property located on the main business Avenue will indicate the effect on prices resulting from the depression itself and that of excessive taxation. A business lot, with a frontage of 25', assessed at \$29,500, was recently sold on a cash basis for \$5,500. A similar lot with a frontage of 50', assessed at \$1000 per foot frontage, was sold on a cash basis for \$420 per foot frontage. These cases may quite properly be regarded as "distress" sales, but they serve to indicate the destruction of confidence in an investment of capital in real estate on the part of the public caused mainly by excessive taxation.

(b) Table of Assessments.

The following figures show the total assessment for the years stated and the respective mill rates imposed:

<u>Year</u>	<u>Assessment</u>	<u>General Rate</u>	<u>Debenture Rate</u>	<u>School Rate</u>	<u>Total</u>
1930	364,180,287	21.68		24.32	46
1931	66,102,934	23.47		23.53	47
1932	66,849,462	29.22		22.78	52
1933	62,577,096	30.77		19.93	50
1934	61,522,972	29.99		20.61	50
1935	60,974,656	14.78	14.76	20.86	50
1936	57,616,900	18.61	14.73	22.75	56

The following figures show the net taxable assessment of the City classified as to Land, Buildings, and Franchise, the land being assessed at 100% value, and the buildings on the basis of 50% of value. By doubling the figures for the buildings a true relationship between the full value of the two classes would be disclosed.

<u>Year</u>	<u>Land</u>	<u>Buildings</u>	<u>Franchise</u>	<u>Total</u>
1928	29,864,430	35,177,976	500,000	55,602,406
1929	30,022,029	28,835,138	1,210,000	60,076,155
1932	30,502,043	34,594,630	1,730,218	66,826,891
1933	26,078,358	34,674,390	1,739,481	62,491,229
1934	25,150,520	34,462,070	1,747,352	61,359,942
1935	24,774,985	34,439,405	1,761,266	60,974,656
1936	24,029,878	31,805,705	1,781,317	57,616,900

The decrease in the taxable assessments is partially accounted for by the net increase in tax sale lands, and the decisions of the Alberta Assessment Commission resulting from numerous assessment appeals.

(c) Calgary's Tax Levy - 1936.

<u>General</u> - Levy of 56 mills on City Assessment .....	\$3,226,487.42
Business Tax .....	243,059.69
Local Improvement Taxes etc. ....	266,426.16
Interest & Penalties .....	79,337.44
	<u>\$3,815,970.71</u>



	FWD.	\$3,815,970.71
<u>Supplementary Revenue -</u>		
Provincial Government Grant		
in lieu of Service Tax ... ..	)	30,000.00
Surplus Income - Sinking Fund .....		79,403.19
Fees - Licenses etc. ....		80,179.06
Utility contributions .....		245,767.90
Sundry Revenue .. .		116,525.23
		<u>\$4,367,846.09</u>
Prov. Gov't. Social Service Tax		
4 mills on land assessment ... ..		95,123.09
	TOTAL .....	<u>\$4,463,029.18</u>

d) Tax Collections.

As at the end of the year, the amount of the 1936 Tax Levy uncollected stood at \$23,307.90, or nearly one million dollars, and it is hardly necessary to point out that uncollected taxes constitute one of the main factors responsible for the City's financial embarrassment.

In this connection, the following Table of Tax Collections expressed in percentages covering the seven year period 1929 - 1936 will be of interest

Tax Collections expressed in percentages.

	<u>Current Collections</u>	<u>Current plus arrears</u>
1929	89.48%	100.04%
1930	85.76	94.96
1931	83.97	95.24
1932	77.10	90.02
1933	73.64	93.55
1934	73.73	94.53
1935	74.78	97.29
1936	75.11	95.57

The accumulation of tax arrears as represented by taxes in arrears at the end of each year is shown below:

1926	\$ 615,543
1927	606,178
1928	487,591
1929	493,893
1930	706,301
1931	919,985
1932	1,363,854
1933	1,652,919
1934	1,564,186
1935	1,423,006

This accumulation is additional to the deductions caused by transfers to Tax Sale. The extent of such transfers during the past few years was:

1931	\$ 23,921
1932	60,277
1933	110,539
1934	263,832
1935	327,163

(e) Tax Sale Lands.

As at the end of 1936 the assessed value of forfeited lands within the City limits stood at \$5,558,458, with the assessed value of forfeited buildings at \$269,320.

The extensive forfeiture of vacant lands as a result of failure on the part of owners to pay the taxes levied against them is a familiar feature of urban life in the West. Largely owned by non-residents, these lands were held for speculative purposes, the purchasers having no intention of putting them to productive use. In recent years however, there has been a steady increase in the forfeiture of improved properties, and this process, unless circumstances change, is bound to continue at an accelerated rate.

The simple explanation of the continued abandonment of improved properties is that the burden of taxes imposed upon them is in excess of their productive capacity, and that ownership of such property has ceased to be profitable. Onerous impositions, such as is now described, should not properly be referred to as taxes at all. It would be more correct to say that they are in effect "capital levies" constituting

a "penalty" on the private ownership of real estate.

While the practice of assessing real property on the basis of estimated Capital Value is generally adopted throughout the Dominion, it is clear that, by the application of the principle of "income-bearing capacity" to the assessment of real property, forfeitures due to non-payment of taxes could be substantially checked.

(f) Statutory Exemptions from Taxation.

The extent to which various classes of property located within the City have been granted exemption from taxation has reached such proportions as to create in the minds of City taxpayers a definite sense of social injustice. This is particularly the case concerning Dominion and Provincial properties. In the City of Calgary alone statutory exemptions in 1934 had reached the enormous sum of \$21,474,525. The following Summary indicates the various classes to which exemptions have been granted.

<u>Owner</u>	<u>Land</u>	<u>Buildings</u> <u>100%</u>	<u>Total</u>
Canadian Pacific Railway	\$ 760,675	\$ 5,194,500	\$ 5,963,175
Canadian National Railway		211,425	211,425
Dominion Government	192,076	3,107,490	3,299,566
Provincial "	255,055	1,778,263	2,033,318
Public Schools	460,805	3,627,414	4,088,219
Separate "	68,420	425,650	494,070
Other Schools	24,820	98,900	123,720
Churches	328,768	1,493,279	1,822,047
Salvation Army, Hospitals, etc.	48,160	600,650	648,810
Y.M.C.A. and Y.W.C.A.	200,650	126,000	326,650
Canadian Legion		68,000	68,000
Part exemptions on industries		2,552,160	2,552,160
Sundries	5,025	10,350	15,375
	<u>\$2,180,454</u>	<u>\$19,294,071</u>	<u>\$21,474,525</u>

Since the above list was compiled, land assessments have been reduced and certain industrial exemptions withdrawn, so that by the end of 1935 the total exemptions stood at \$18,028,144 - an amount almost equal to one-third of the City's active assessment.

In this connection it should be noted that a number of Provincial Government properties are used for carrying on business of a revenue-producing character, and that they are served by the City with fire and police protection. These services alone should be sufficient to justify the claim of the City that such properties should be placed on its assessment roll, and be required to share in the cost of beneficial services rendered to them by the City.

2. General Department.

Statement of Revenue and Expenditure for year ending December 31, 1936.

The following figures are taken from the 1936 Financial Statement of the City, a copy of which is attached hereto and marked Exhibit F. The various items of Revenue are arranged for the purpose of showing at a glance the proportion of the total revenue attributable to the taxation of Real Property. The items of Expenditure are also arranged so that the proportion of total expenditure attributable to Social Services may be shown.

REVENUE.

Real Property taxes	\$ 3,226,487.42
Business Taxes	243,059.69
Local Improvements, Water Frontage etc.	266,486.16
Interest, arrears and penalties	<u>79,937.44</u>
Derived from land taxation --	\$ 3,815,970.71
Provincial Grant (Service Tax)	30,000.00
Sinking Fund Surplus	79,403.19
Sundry Fees	80,179.06
Parks and Cemeteries	19,677.17
Rents and returns from Tax Sale Properties etc.	77,778.13
Taxation of Revenue and Contri- butions from Civic Utilities	245,757.90
Sundry	<u>19,069.93</u>
Total General Revenue -----	<u>\$ 4,367,846.09</u>

Deficit on 1936 revenue account \$59,868.38

From the above figures it will be noted that the revenue derived from the taxation of Real Property in the City of Calgary is equivalent to 87% of the total General Revenue.

EXPENDITURE.

Civic Relief and charities	837,558.76
Children's Aid	14,705.07
Health and Clinic, etc.	59,005.12
<u>Hospitals</u>	59,502.81
<u>Education</u>	<u>1,339,000.00</u>
Total Cost of Social Services	2,359,771.76
Fire protection	229,613.18
Garbage collection	63,842.19
Police	175,488.45
Parks and Cemeteries	57,106.03
Public Works	76,399.00
Street Cleaning	21,838.97
Street Lighting	62,300.00
Sewer Maintenance	32,479.15
Miscellaneous - engineer	29,023.38
Interest, Discount and Exchange	107,876.20
Debenture Charges	826,380.18
Water Frontage Assessment	53,634.01
Others (including 1935 deficit)	<u>331,960.97</u>
Total General Expenditure	<u>4,427,714.47</u>

From the above figures it will be noted that the funds spent on various Social Services in the City of Calgary in 1936 are equivalent to 53% of the total General Expenditures.

7. UNEMPLOYMENT RELIEF COSTS, CITY OF CALGARY, 1930 TO 1936.

(Governmental relief assistance to municipalities commenced on October 1, 1930).

YEAR	Gross Expenditure	Contributed by Dominion and Province	Net Cost to City
1930 (from Oct. 1)	51,952.	20,841.	31,111.
1931	634,777.	411,013.	223,364.
1932	1,173,111.	772,130.	405,981.
1933	1,394,477.	903,141.	491,336.
1934	1,449,830.	877,813.	572,017.
1935	1,448,867.	756,500.	690,367.
1936	1,494,165.	846,000.	648,165.
Totals	\$ 7,649,777.	\$ 4,587,439.	\$ 3,062,339.

INDIGENT RELIEF COSTS -

(City pays entire cost of indigent relief).

1930	\$ 38,913.
1931	35,177.
1932	63,966.
1933	93,990.
1934	122,050.
1935	108,642.
1936	103,382.
Total	\$ 566,120.

TOTAL COST OF RELIEF, CITY OF CALGARY, JAN. 1, 1930 to DEC. 31, 1936.

This includes unemployment and indigent relief, medical care, medicines and drugs, administration, etc.

YEAR	Gross Expenditure	Contributed by Dominion and Province	Net Cost to City
1930	\$ 90,865.59	\$ 20,240.64	\$ 70,024.95
1931	669,534.19	411,013.50	258,540.69
1932	1,242,077.41	772,130.38	469,947.03
1933	1,488,467.39	903,141.43	585,325.96
1934	1,571,880.23	877,813.47	694,066.80
1935	1,355,509.03	756,500.00	799,009.03
1936	1,597,544.92	846,000.00	751,544.92
Totals	\$ 8,215,899.76	\$ 4,587,439.38	\$ 3,628,459.38

F.B. Total cost for 1929 of all forms of relief was \$52,854.62.

#### 4. CITY OF CALGARY'S FINANCIAL OBLIGATIONS.

##### (a) Unemployment Relief.

Among the Social Services which the City is obliged by law to render is that of Unemployment Relief. Its ever-increasing cost has reached a stage which cannot be described as other than perilous. Among City taxpayers it is causing the gravest anxiety. Thousands cannot wholly meet the tax demands which this service involves. Many are losing their properties owing to non-payment of taxes, and this process is proceeding at an accelerated rate. Among real property owners a sense of social injustice resulting from the imposition of this abnormal burden upon one type of wealth is daily becoming more acute. To City Authorities the problem of raising funds from the narrow taxation base now available is a baffling one, and a solution has become an imperative necessity.

It will be noted that in 1920, when Government assistance to Municipalities was first given, the net cost of this service to the City amounted to \$31,111. By 1933 it had reached the sum of \$491,336, and by 1936 the City's share of this burden stood at \$649,163. With additional costs in respect to indigent relief, medical care, administration costs etc. the total cost had swollen to \$751,544. This sum, it should be noted, is equal to a rate of 13 mills on the City's present assessment.

The rapid rise of the problem of Unemployment Relief, and the burden of cost involved, did not take long to alarm City Authorities. Conferences between the Cities and Federal and Provincial Governments



were held, and the matter examined from every angle. While considerable assistance was granted by the Senior Governments to the City, the proportion of total cost left to the City to bear had little relation to its restricted financial resources. With this added burden the City had no option but to postpone maintenance activities, reduce civic salaries, cramp other social services, strain its credit with its bank, and resort to the questionable practice of capitalizing a portion of its share of the cost of this delegated service.

As a result of the financial straits already being experienced by the Cities of the Province, a Conference of Mayors and Aldermen was held with the Government of Alberta on May 31, 1934, for the purpose of discussing matters relating to Unemployment Relief and kindred subjects, and the following resolution was unanimously passed:

Moved by Mayor Davison, Calgary, and seconded by Mayor Knott, Edmonton:

"WHEREAS the cities of Alberta, in common with other cities in Western Canada, have been carrying during the past four years an ever-increasing load of unemployment relief costs; and

WHEREAS the civic field of taxation is largely confined to direct levies on property and business; and

WHEREAS the tax-paying ability of our citizens has been seriously impaired through unemployment, reduced rental revenues, reduced salaries and wages, poor crops and low prices, reduced profits from business and the depletion of savings and reserves; and

WHEREAS our councils have endeavoured to meet the situation and balance their budgets by curtailing services where possible, by reductions in salaries and wages, by drawing on reserves, by encouraging tax payments, and, in some instances, by capitalizing relief costs; and

WHEREAS in spite of all such efforts most of the cities are facing increasing deficits and a rapidly growing accumulation

"of unpaid taxes, and

WHEREAS the situation has become so serious as to occasion grave concern to every thoughtful citizen, and particularly to those who are charged with the responsibility of managing civic affairs:

NOW THEREFORE this Conference of representatives of the following Cities of Alberta, viz., Edmonton, Calgary, Lethbridge, Medicine Hat and Drumheller hereby advise the Premier and the Government of this Province and through them to the Prime Minister and the Government of Canada, that as we are finding it increasingly difficult to finance relief and as it will inevitably lead to default and insolvency, relief from this intolerable burden must be immediately provided in one or more of the following ways:

1. By the Federal Government assuming 65%, and the Provincial Government 25%, and the Municipalities 10% of the total cost of unemployment relief.
2. By provision of employment for our citizens, through necessary public works and through the encouragement and stimulation of private enterprise and industry, and particularly a revival of prosperity in our basic industry - agriculture.
3. By substantial reduction in interest rates.
4. By instituting as early as possible some form of unemployment insurance."

As further evidence of the growing revolt of Municipal Authorities in respect to the burden of Unemployment Relief costs, the following Resolution was unanimously adopted at a Conference of Mayors held in the City of Montreal on the 25th, 26th and 27th of March, 1935.

"Moved by Mayor Camillien Houde (Montreal)  
Seconded by Mayor David Leeming (Victoria)

1. WHEREAS unemployment is a national emergency and is a national responsibility,
2. AND WHEREAS the National Government has recognized unemployment as a national emergency and a national responsibility by proposing legislation respecting unemployment insurance,

3. AND WHEREAS the National Government has acknowledged the seriousness of the situation by enacting emergency legislation based on the Peace, Order and Good Government clause of the constitution;
4. AND WHEREAS some provincial Governments can no longer assume any responsibility for unemployment relief and have declared their inability to do so;
5. AND WHEREAS the costs of unemployment relief have been improperly imposed upon Municipalities throughout the Dominion of Canada;
6. AND WHEREAS these costs have resulted in breaking down the financial structures of many urban centres and others are in like peril;
7. AND WHEREAS municipal revenue is procured almost entirely from the homes and home-property of the tax-payers;
8. AND WHEREAS by unanimously expressed statements of the delegates at this Conference, For the last four years
  - (a) Tax levies on real property have been increased,
  - (b) Collections of taxes and other civic revenues have steadily decreased,
  - (c) Assessment of land and improvements have decreased,
  - (d) Tax arrears have steadily increased,
  - (e) Much property is reverting and liable to revert to municipalities on account of non-payment of taxes,
  - (f) New social services have been imposed on many municipalities;
  - (g) On account of decreased revenues, many municipalities have been unable to maintain at proper standards the necessary services in respect to streets, sewers, sidewalks, water distribution, parks, boulevards, school buildings, public works, improvements, repairs and other essential requirements of municipalities.
9. AND WHEREAS these intolerable burdens can no longer be borne by the municipalities or their tax-payers;

"10. AND WHEREAS the situation might easily become a source of disorder or worse in the larger centres,

11. AND WHEREAS the Peace, Order and Good Government of all Canada is imperilled by reason of the conditions which exist as aforesaid.

NOW THEREFORE BE IT RESOLVED by this Conference of Mayors representing all parts of the Dominion of Canada and directly representing approximately five millions of its population and more than seventy-five per cent of the taxes paid.

THAT from and after the first day of April, 1935, the Dominion Government take over and assume the entire cost of unemployment relief in the Dominion of Canada."

The foregoing resolutions are quoted in full for the purpose of indicating the unanimous conviction of the Mayors of the Cities of the Dominion as to what they conceive to be the proper solution of the vexed question of Unemployment Relief. Notwithstanding these resolutions, however, more than two and a half years have since elapsed, the problem has become still more acute, and as yet there is no evidence of the assent of the Federal Government to the principles then enunciated. It is difficult to persuade the Western mind that the contributions of the Senior Governments to the cost of this national service is much more than a tardy acknowledgement of a responsibility that is evaded. Even the capitalization of a portion of municipal costs against the homes of urban residents leaves the latter with a sense of injustice which no argument can dispel.

In the case of Edmonton the amount capitalized as at the end of 1936 amounted to \$1,200,000, the annual debenture charges being \$157,655. In the case of Calgary the amount capitalized as at the same date stood

at \$500,000, with annual debenture charges amounting to \$66,157. As at December 31, 1936, the total number of people on relief in Calgary stood at 11,219, of whom 3,474 had come into the City since 1930.

The English Royal Commission on Taxation sought among other things for a definite division between the services which would be wholly or partly State supported, and those which should be maintained entirely at the cost of the locality. The former they distinguished as services which were preponderantly national in character and generally onerous to the taxpayers, and the latter as services which are preponderantly local in character and confer upon taxpayers a direct and peculiar benefit more or less commensurate with the burden. It was presumed that a service is national when the State insists that it be carried out and on a certain standard of efficiency being reached. The services classified as "national" were Poor Relief, Police, Education, and Main Roads. It must be obvious that a similar classification in respect to social services now largely delegated to Local Governments in Canada is long overdue. Evidence as to the excessive and unjust burden borne by the Cities of Edmonton and Calgary has now been presented, and it is hoped that the decisions of the Royal Commission in respect thereto will result in early and substantial relief.

(b) Cost of Education.

The Calgary Public School Board operates 62 school buildings of which 41 are over 20 years old. There are 426 classrooms. The permanent employees of the Board number 498, and are made up as follows:

High School Teachers	98
Junior High School Teachers	57
Public School Teachers	267
Attendance Officer	1
Building Department	4
Janitors	59
Administrative Staff	10
High School Stenographers	2
Total employees --	<u>498</u>

In 1936 the average monthly enrolment of pupils was 14,652.

The following Tables indicate Receipts and Expenditures for the year 1936.

RECEIPTS.

Government Grants.

Public Schools	\$ 21,056.50	
High Schools	27,360.00	
Junior High Schools	10,371.25	
Commercial	5,679.21	
Subnormal Classes	4,469.16	
Night Schools	812.60	
Household Arts	799.44	
Manual Arts	845.04	
Physical Training	106.56	
Sight Saving Class	790.00	
Music	90.50	
Technical	<u>15,511.51</u>	\$ 69,011.76
Fees - Non-resident Pupils		9,106.56
Fees - Night Classes		1,442.50
Sundry		14,706.78
CITY OF CALGARY - portion of levy collected		<u>911,934.96</u>
		\$ 1,025,202.56
Balance due from City of Calgary		<u>289,065.04</u>
<u>TOTAL RECEIPTS</u>		<u>\$ 1,313,267.60</u>

EXPENDITURES.

<u>Debtore Payments</u>		\$ 279,117.23
Administrative Expenses		24,905.02
and Interest - Current		2,165.82
- Capital		1,148.68
<u>Salaries -</u>		
Teachers - Public	\$ 391,937.03	
Junior High	87,359.28	
High	254,739.97	
Spec. Instructors	67,128.45	
Janitors	69,552.84	
Workmen	12,784.65	683,502.22
<u>Supplies and Text Books</u>		
Public and High	16,886.93	
Special Depts.	9,251.73	
Sundry	1,454.60	27,593.26
<u>Furnishing and Equipment</u>		4,123.85
<u>Building Supplies</u>		64,071.00
<u>Miscellaneous</u>		25,747.66
TOTAL EXPENDITURES	\$ 1,312,375.64	
Credit Balance - December 31, 1936		891.96
	\$ 1,313,267.60	

It may be noted that Debtore Payments amount to 21.27% of total expenditure, and Teachers' Salaries 61.04%.

(c) ASSESSMENT AND TAXATION - 1936.

Total Assessed Value in Municipality	\$ 57,616,900.00
Total Assessed Value in School District	52,798,671.00
Municipal Tax Rate - 33.25 mills.	
Total Municipal Tax Levy	\$ 3,219,151.35
Total School Tax Levy	1,800,000.00
School Tax Rate - 22.75 mills.	

AMOUNT OF CITY LEVY AND TOTAL EXPENDITURE.

	<u>City Levy</u>	<u>Total Expenditure</u>
1912	\$ 255,000.00	\$ 333,316.74
1917	623,343.00	683,645.27
1922	1,076,480.00	1,170,593.08
1927	1,050,000.00	1,213,452.04
1930	1,425,000.00	1,515,743.70
1931	1,425,000.00	1,536,439.83
1932	1,400,000.00	1,503,593.49
1933	1,100,000.00	1,253,517.09
1934	1,150,000.00	1,324,259.06
1935	1,160,000.00	1,262,186.72
1936	1,200,000.00	1,312,375.64

(d) Deferred Maintenance.

The Annual Report for 1936 of the Secretary-Treasurer of the Public School Board discloses the fact that considerable maintenance of school buildings has been deferred and that this has been due to inadequate revenues. On this matter the Secretary Treasurer says "There is urgent necessity to modernize the electric lighting systems in a number of the older buildings, which, considered by modern standards, are inadequate \$20,000 would be required for this work."

Observations by Mr. D. C. Bayne, Secretary-Treasurer.

"The depression has curtailed both labor and revenue, but the same depression has increased ver. considerably the demands for school expenditure for educational purposes, as witness the increase in High School attendance, the changing and diversified curricula, and the increased demand for school supplies and additional accommodation to meet the new educational set-up."

"Today this City must raise over 90% of its revenue for school purposes by taxing real estate and buildings, and if we meet the increasing demands of the Department of Education recently brought about by the reorganization of the school courses in the Province, these taxes must go up."



"One suggestion might be made which would increase the funds available for actual need, that is, the abolition of the duplication that prevails as between different governing bodies."

"After all, education is a provincial responsibility and as such should be supported largely by the provincial government, which government has powers of taxation that the municipalities and especially the school districts have not."

From the Secretary-Treasurer's 1936 Report (a copy of which is attached hereto and marked "Exhibit G"), the following features are worthy of note.

1. Evidence of economy in expenditures.
2. Failure of the City for several years in succession to pay to the School Board the full amount of its requisition.
3. That at the end of 1936 the City's payment to the Public School Board was deficient to the extent of \$497,111.37, or nearly half a million.
4. That in addition to No. 3, the School Board had to accept a note from the City amounting to \$466,023.79, which it financed through its Bank.
5. Necessary expenditures on School Buildings deferred owing to lack of funds.
6. That the abnormal burden of cost in respect to Unemployment Relief is largely responsible for the City's inability adequately to finance its Schools.

The situation in respect to the Levy for Public School purposes is seen in the following Table:

	Balance Owing <u>Jan. 1</u>	<u>Demand</u>	<u>Received</u>	Balance owing <u>Dec. 31</u>
1931	\$118,750	\$1,425,000	\$1,197,500	\$356,250
1932	356,250	1,400,000	1,391,250	375,000
1933	775,000	1,100,000	969,205	606,794
1934	606,794	1,160,000	1,337,771	439,022
1935	439,022	1,148,583	1,117,546	470,060
1936	470,060	1,200,000	911,934	497,111

Government Grants to Education.

It will be noted that the Provincial Grants to Education in respect to the Calgary Public Schools in 1936 amounted to slightly less than \$90,000. This is equivalent to 7% of the total cost. In the section of the brief relating to the Public Schools of Edmonton, reference is made to the inadequacy of Provincial Grants, and the obvious injustice of levying the cost of education solely upon Real Property. While educationalists and political idealists may assert that education should be a first charge on the wealth of the State, the actual type of wealth upon which the burden almost wholly rests is becoming less productive, and a broader and more equitable basis of financial support must soon be found.

While under the terms of the S.N.A. Act the Dominion Government may disclaim any responsibility for educational service, the Provincial Government cannot claim any such alibi. The Cities of Alberta simply ask for a practical recognition of that obligation.

5. CITY'S FUNDED AND UNFUNDED DEBT.

The City Comptroller's Financial Statement for the year ending December 31, 1936, discloses the following facts:

Assets and Liabilities

Value of Municipality's Assets as at 31st December, 1936 -	\$31,502,101.78
Total Debenture Debt (as divided below)	21,460,942.55
Total Sinking Fund (as divided below)	10,167,024.16
Amount of Sinking Fund in Arrears	429,079.56

ANALYSIS OF DEBT AND SINKING FUND DIVIDED AS FOLLOWS:-

	<u>Debentures Outstanding</u>	<u>Sinking Fund Reserve</u>	<u>Sinking Fund in hand</u>
<u>Public Utilities</u>			
Waterworks	\$ 5,174,931.46	\$ 2,467,972.78	\$ 2,467,972.78
Electric Light and Power	2,927,971.54	2,038,210.26	2,038,210.26
Street Railway	2,855,643.89	1,926,517.06	1,926,517.06
Hospitals	395,095.36	122,666.20	122,666.20
	\$4 11,253,542.25	\$ 6,555,366.24	\$ 6,555,366.24
<u>Local Improvements</u>			
Property Share	\$ 1,765,447.85	\$ 760,432.98)	
City Share	1,024,847.40	252,352.41)	
		-----)	\$ 3,611,637.90
	\$ 2,790,295.25	\$ 1,012,815.39)	
General	7,417,105.05	3,027,922.09)	
		-----)	
Total General and Local Improvements	\$ 10,207,400.50	\$ 4,040,759.48	
		-----	
TOTAL ALL DEPARTMENTS	\$ 21,460,942.55	\$10,596,103.72	\$10,167,024.16

In addition to the Funded Debt already noted, Floating Debts and other Liabilities as at the end of 1936 stood at \$3,151,297.36. School Debentures for which the City levies taxes stood at \$2,341,700.

The accumulation of Floating Debts is largely attributable to the commendable practice of the City in meeting its Social Service obligations out of current revenue rather than resort to extensive capitalization. Depletion of revenues, however, compelled the City to follow the latter course to the extent of \$500,000, the annual charges of which now amount to \$66,157.

The following remarks are taken from a memorandum submitted to the Mayor and Council to the Debenture Holders' Committee after an investigation of the affairs of the City had been made.

"During the period 1932 to 1935 inclusive, revenue from all sources decreased by \$643,926. Operating expenses (exclusive of debt charges and relief) dropped by \$403,593. From 1930 to 1936 unemployment relief and public charities cost the City \$4,517,747, of which \$4,017,747 was met out of current revenue. The utilities, besides meeting their proportion of debenture payments, have contributed some \$1,250,000 towards the relief of taxation during the years 1931 to 1936."

"Even with high taxation, the year 1935 resulted in a deficit of some \$330,000. In 1936, notwithstanding a decrease of \$64,000 in unemployment relief and public charities and an increase in the rate of 6 mills, the deficit was some \$150,000."

With increased taxation, growing cost of social services, a narrow taxation base, failure to induce the Senior Governments to relieve the pressure by the assumption of a larger share of the cost of services national in their character, the City found its credit in peril and decided to take such steps as were available to avert default.

On November 14th, 1936, Mayor Davison submitted a Memorandum to

the Chairman of the Board of Public Utilities in which the financial position of the City was outlined and from which the following selected paragraphs are now quoted:

"We are in the same position as any private commercial concern that is financially embarrassed and finds it necessary to reach a compromise settlement with its creditors. We have consulted representatives of some of our bond holders and through the assistance of your Board we are hopeful that a reasonable agreement can be reached."

"It will be generally admitted that the past seven years have been the most difficult ever experienced by Canadian cities, especially those of the West. From a near-peak of prosperity in 1929 we were plunged almost over night into a depression that grew progressively worse, and we certainly have not yet emerged."

"We have been called upon to spend several millions of dollars for relief and public charities, we have been forced to cut services, reduce wages, shorten hours of labor and defer a vast amount of necessary maintenance in order to meet this extraordinary situation."

"We have found that the paying ability of taxpayers has been gradually diminishing and that our receipts from business tax and sundry revenues have been seriously curtailed. This curtailment has forced us to impose on real property a greater and ever greater proportion of our governmental costs with the result that our mill rate has reached the point where it has become confiscatory."

"It is only as a last resort that the Council decided to apply to your Board for a survey of our affairs. Persistent and consistent representations have been made to the Senior Governments since 1930 for financial assistance and a new distribution of responsibility in regard to certain expenditures."

"It is well known that the field of taxation of western cities is very limited. Taxing powers are granted by Provincial legislation, and they are likewise limited by the same authority."

"As a direct result of failure to collect our taxes on the basis of normal times, since 1932 we have been forced to pay our School Boards and Sinking Fund Boards the percentage of their taxes as and when collected, instead of being in a position of paying all arrears early in the following year."

"Our position with our Sinking Fund Board is even worse. We still owe this Board \$2,765. for 1933, \$6,296. for 1934, and \$86,479 for 1935, a total of \$95,540."

"Since the start of the depression in 1930 the Relief problem has grown progressively more serious, with the result that we are on the verge of bankruptcy due to the heavy financial strain."

Negotiations between the City and representatives of the Holders of Calgary's Debentures followed the submission of the above Memorandum, and an agreement was subsequently reached which had for its object "the alleviation of the burden of debt charges by a process of refunding the debentures and other debts in the hands of the public on a basis where the annual requirements over the period provide for an orderly process of debt retirement accelerated by giving the City the opportunity of prepaying in advance of maturity."

A detailed statement of the Plan of Adjustment respecting the City's Debenture Debt is contained in a Memorandum issued by the Calgary Debenture Holders Committee, dated June 15th 1937, a copy of which is attached hereto and marked "Exhibit C".

The main features of the adjustment are as follows:

1. The abolition of the Sinking Fund system of retiring the City's debt, substituting for it an Annuity Plan under which the present bonded indebtedness can be entirely liquidated by 1962.
2. The immediate cancellation of all City of Calgary bonds now held by the Sinking Fund as investments, amounting to \$6,821,000, thereby reducing the annual levy for principal and interest.
3. New annuity 25-year debentures will be issued for \$17,192,855 held by the public and will be exchanged for the debentures presently held by such investors.

4. Debentures now bearing 5 $\frac{1}{2}$ % and 6% in the hands of the public will be exchanged for new debentures bearing interest from January 1st 1937 at 4 $\frac{1}{2}$ %. To effect this exchange, they will be valued for their present unexpired term if prior to January 1st, 1962, and if later, to January 1st, 1962, to yield 4 $\frac{3}{8}$ %. The resulting premium of some \$245,000 will be paid in cash at the time of the exchange out of sinking fund proceeds.
5. As and when funds are available, the whole or any part of the new issue can be called for redemption, without premium, on any interest due date.

Among the many advantages that the City derives from the acceptance of the Plan is the fact that the Debt Charges in 1937 and subsequent years will be decreased to the extent of \$525,422, or the equivalent of roughly 10.3 mills on the dollar of assessment.

While it is clear that a measure of financial relief will result from the adoption of the Plan of Adjustment, the most cursory examination of the financial affairs of the City cannot but lead to the conclusion that further relief must be found in respect to the burden of cost involved in the Social Services now carried by the City. It must also be stated without any qualification that such relief cannot possibly be obtained by way of additional taxation of Real Property.

IV.                    CITY OF LETHBRIDGE.

The City of Lethbridge is located in the southern part of the Province and is the business centre of a large agricultural and farming territory. It has the advantage of being situated in close proximity to active coal mines and a productive irrigated area. It has a population of 13,520, and in this respect is the third largest city in the Province. Its administration has the characteristics of economy and efficiency.

The following Statistics are extracted from the City's 1936 "Financial Statements and Auditor's Report", a copy of which is attached hereto and marked "Exhibit H". A copy of the City's Estimates for 1937 is also attached and marked "Exhibit I".



1. FINANCIAL STATISTICS.

(a) Assessment -

Assessed Value for Taxation, 1936 .....	\$ 9,561,595.00
Exemption not included in the above .....	7,946,860.00
Tax Rate 1936: General .....	12.69 mills
Debtenture .....	10.94 "
School .....	19.47 "
Social Service	
Govt. Tax (on	
land only) .... .	3.74 "
	-----
	45.84 mills
Total Accumulated Tax Arrears .....	\$ 430,639.11
Amount of last year's Tax Levy .....	547,083.17
Amount of last year's Tax Levy uncollected .....	108,540.40

(b) Assets and Liabilities -

Value of Municipality's Assets at Dec. 31, 1936..	\$ 2,707,212.96
Total Liabilities Dec. 31, 1936 .....	1,831,392.74
Total Sinking Fund (as divided below) .....	2,373,464.27
Amount of Sinking Fund in arrears .....	nil

(c) Analysis of Debt and Sinking Fund -

	Debentures Outstanding	Sinking Fund on Hand
<u>Utilities.</u>		
Waterworks .....	\$ 458,059.03	\$ 279,247.95
Electric Light and Power .....	705,082.81	431,159.94
Street Railway .....	455,166.78	319,198.35
Local Improvements - Ratepayers'		
Share .....	439,771.59	240,541.79
General Debentures (not		
included above) .....	1,797,519.98	1,089,818.33
Sinking Fund Surplus .....		13,597.91
TOTAL .....	\$ 3,865,599.29	\$ 2,373,464.27
<u>Outstanding Bonds issued on:</u>		
Instelment Method .....	\$ 162,208.53	
Sinking Fund Method .....	3,703,390.76	
School Debentures		
not included above .....	283,283.50	
CURRENT REVENUE 1936 .....	\$ 723,801.84	
CURRENT EXPENDITURE 1936 .....	\$ 723,978.90	

(d) Utilities:

Profits after deducting Operating Charges only:	
Waterworks Plant .....	\$ 59,293.66
Electric Light Plant .....	166,208.99
Street Railway (deficit) .....	<u>2,086.09</u>

Profits after deducting Depreciation, Operating Expenses, Interest and Sinking Fund Charges:	
Waterworks Plant .....	\$ 16,035.46
Electric Light Plant .....	97,136.83
Street Railway (deficit) ...	<u>32,378.23</u>

Area of Municipality .....	6,443 acres.
Percentage of Improvements taxed in 1936 ...	66 2/3rds.
Amount of Tax Sale Lands .....	\$577,032.91
Amount of Arrears of Taxes collected during 1936 .....	\$ 98,209.74

(e) Comparative Statement of Assessments, City Debt, and Tax Levies.

Year	Popula- tion	Assessment	Net Ass- ess't per capita.	Net Debt, per cap.	Net Debt per cap.	Total Tax Levy.	Tax lev, per cap.
1915	10,950	\$15,112,990	\$1,380.	\$3,498,244	\$319.	\$516,463	\$47.17
1921	11,055	12,468,930	1,128.	3,042,951	275.	608,817	55.07
1924	11,055	9,408,830	871.	2,539,886	234.	564,782	51.09
1930	13,000	9,698,430	745.	2,130,878	164.	546,831	42.06
1932	13,448	10,019,960	725.	2,205,850	164.	602,108	44.77
1934	13,448	9,686,430	720.	1,870,092	126.	571,520	42.50
1936	13,520	9,561,595	707.	1,505,533	112.	547,063	40.45

Year	Proportion Total Taxes for School	School Mill Rate.	City Mill Rate.	Gov. Tax on Land.	Gov. Mill Rate	Tax Arrears
1915	\$ 99,158	6.10	24.40	\$		\$453,269
1921	148,232	12.35	29.65	6,797	1.08	387,831
1925	163,849	17.10	29.20	10,233	2.37	251,962
1928	205,301	20.96	21.21	8,064	2.38	163,930
1930	190,016	18.75	27.60	6,514	2.44	297,347
1934	179,391	16.34	27.30	6,743	2.00	412,169
1936	187,639	19.47	23.83	12,035	3.74	429,985

The statistical information shown above reveals several features worthy of note.

E. (a) City Assessment.

Despite a general shrinkage in the assessed value of real property throughout Western Canada the assessment in the City of Lethbridge does not show a corresponding reduction. There is a popular aversion to high mill rates, and on this ground it may be assumed that an assessment in excess of "fair actual value" has been maintained. It is noted, also, that the assessment of "improvements" in this City is made on the basis of  $56 \frac{2}{3}$ ds of the estimated value, this percentage being higher than that of either the Cities of Calgary or Edmonton. With land values obviously inflated, there can be little doubt that the present rate of 40.46 mills results in an oppressive burden of taxation on real property

(b) City's Net Debt.

The figures disclosed in respect to the City's Debt reveal a creditable reduction. Since 1920 the liability has been reduced to less than half. Since 1932 the reduction amounts to \$760,000. In this respect the maintenance of the City's credit, despite the long depression, is wholly commendable.

(c) Social Service Tax on Land.

It will be noted that this Provincial Tax was increased by 50% in 1936 and that it involved a rate of 3.74 mills imposed on land abnormally inflated. Having regard to the excessive burden imposed upon land within the City limits for local purposes, this Provincial tax is an additional burden the imposition of which cannot well be defended.

(d) Tax Arrears.

It will be observed that in 1930 Tax Arrears stood at \$163,930. By 1936 they had reached the alarming figure of \$429,985. Forfeitures for non-payment of taxes continue to occur, and it is understood that a Tax Sale of properties both improved and vacant will take place this year. It has been said that "the readiness with which tax demands are met is one of the most sensitive and reliable indicators of the credit rating of a municipality", and the large increase in tax arrears is one of the most disturbing factors in the economy of Lethbridge. An early reduction in the taxation of real property has become a matter of urgent necessity. The steady shrinkage of the main taxation base must be checked. The following comparison of Per Capita Total Tax Arrears in the Cities stated hereunder is worthy of note.

Edmonton	1936	\$24.24
Calgary	"	16.69
Regina	"	23.98
Winnipeg	"	14.83
Brandon	"	19.27
LETHBRIDGE	"	31.83

(e) Debenture Maturities.

The total maturities to be retired by the Sinking Fund between the years 1940 and 1943 amount roughly to \$2,933,000. As at October 1st, 1937, the estimated under-investment stood at the approximate figure of \$734,000. As a result of the long depression, excessive taxation, the continued burden of Social Services, and the lack of elasticity in the City's taxation structure, an assessment in the matter of Debenture maturities will soon require the attention of the City Authorities. A plan of Adjustment somewhat along the lines of that adopted by Edmonton and Calgary appears to offer a practical solution.

3. CITY GENERAL DEPARTMENT.

The following is a Statement of the City's Operating Account for the year Ending December 31, 1936.

Taxation Funds

REVENUE

General Tax Levy at 23.63 mills	\$225,323.78
Business Tax Rentals at 10% Rental Value	45,000.00
Utilities Revenue Surplus	99,000.00
Transferred from Sinking Fund Surplus	10,000.00
Miscellaneous Revenues	<u>42,500.00</u>
	<u>\$421,923.78</u>

EXPENDITURE

Public Works	\$ 47,249.98
Parks and Boulevards	9,988.81
Airport	829.44
Fire	38,696.25
Police	22,836.27
Children's Home	1,720.54
Health	2,644.21
Public Library	5,919.44
Assessment	5,352.74
Relief	96,414.97
Finance (including Debenture payments \$102,762.75)	<u>199,397.13</u>
	<u>\$431,049.78</u>

#### 4. UNEMPLOYMENT RELIEF.

Attention is particularly directed to the impressive item of Unemployment Relief which in 1936 cost the City a sum roughly equal to 42% of the General Tax Levy of \$225,323.78. In this connection it should be noted that, due to the fact that many workmen employed part time in the local coal mines become applicants for relief during the summer months, the City finds itself in a position peculiarly vulnerable.

#### 5. Lots forfeited to the City of Lethbridge at the end of 1936.

	<u>Number</u>	<u>Assessed value.</u>
Business Lots .....	198	\$165,930.00
Residence Lots .....	7,866	978,930.00
Number of Residences to be offered at the 1937 Tax Sale on October 27th, 1937 .....		60
Number of Residences against which "Caveats" have been filed in accordance with the Tax Recovery Act .....		753

The figures above quoted reveal the disastrous character of the present tax system operative in this and other Cities of the Province. Reference to the residential lots already forfeited, and to the residences now subject to Caveat, should provide ample evidence of the obsolescent character of the prevailing tax system, and justify, without further argument, the Cities' demand for an immediate change.

6. (a) Cost of Education.

The following Statement of Revenue and Expenditure in connection with the Lethbridge School District for the year 1936 indicates the extent of the burden of this service imposed exclusively upon real property within the City limits.

REVENUE.

By Levy on Real Property of 19.47 mills	\$163,888.02
By Provincial Grants (approx. 9 $\frac{1}{2}$ % of cost)	15,658.65
By Fees, High School and Public School	2,563.57
By Miscellaneous	<u>1,668.11</u>
TOTAL -----	<u>\$183,795.34</u>

EXPENDITURE.

To Schools.	
Collegiate	\$ 40,677.54
Central	19,077.40
Bowman	14,550.18
Fleetwood	12,854.35
Westminster	14,451.02
Galbraith	12,323.10
Technical	14,191.99
General Expenses	51,769.09
Surplus	<u>3,900.67</u>
TOTAL -----	<u>\$183,795.34</u>

(b) Financing of Education.

In previous pages reference has been made to the obsolete character of the present method of financing schools in the Cities of the Province. In the City now under review the total cost, apart from the Provincial grant of 9 $\frac{1}{2}$ %, is provided by the taxation of real property. By the process of forfeiture this solitary base is steadily shrinking, and the revenue diminishing. The service of education has therefore reached a

etc. that cannot be described as other than perilous. As one step towards the solution of this problem it is clear that the "spheres of taxation" of the three taxing authorities - Federal, Provincial, and Municipal - must be reviewed and an adjustment provided.

The time has arrived when the responsibility of the three governments in regard to various social services must be definitely determined, with the "spheres of taxation" so adjusted that each of these authorities may with ease and equity finance the services assigned to it.

The principle has wide acceptance that in any plan devised to finance education the Province should bear the major share of the burden. It is constitutionally responsible for this service, and determines its character which has much to do with its cost. The Cities do not decline to bear a reasonable share of the cost, but they strenuously object to a system that places the main load solely on the owners of real property.

Despite the terms of the B.N.A. Act, it is widely felt that the Federal Government should not deny any responsibility for a service so national in its character as education. If no constitutional obligation exists, there is a moral obligation which should not be ignored. The Dominion benefits from this service; it has a particular interest in the promotion of technical education, its immigration policy has accentuated the educational problem, particularly in the Western Provinces, and it has larger revenues available than has the Province or the Municipalities. A new orientation in respect to the financing of education has therefore become an urgent necessity.



7. . (a) Observations by City Manager.

In a Memorandum submitted by the City Manager the following observations are made:

"The Provincial Government procures all the revenue derived from Bus and Truck Transports operating through the Cities and contributes nothing towards the construction or maintenance of the arterial highways through the said Cities.

"The City of Lethbridge holds \$182,500 of Alberta Bonds maturing 1940, 1941, 1942, 1943, 1947, 1948 and 1953. If the Government defaults, when these Bonds mature, this City will also be forced to default.

"All urban centres have strongly recommended to the Provincial Government that Public Works Buildings, Liquor Vendors and Telephone Offices should be taxed, as all are producing a plentiful revenue to the Government.

"Since the year 1930, 302 families have come to the City of Lethbridge, 210 of whom are on relief.

"We have an industry in this City, namely, the Lethbridge Brewery, with a payroll of approximately \$100,000 per annum, and I am informed that they pay the Dominion Government in various taxes \$223,493, and also pay the Province \$167,503. The latter sum paid to the Province by this industry was more than sufficient to pay the total cost of relief and Social Services in the City of Lethbridge."

(b) The following observations are extracted from the Brief submitted to the Alberta Tax Inquiry Board on behalf of the City of Lethbridge, October 25, 1934.

"A survey of our municipal taxation revenue will disclose that it is chiefly derived from the property tax, and as a result property owners have always borne a disproportionate share of the City's financial burden. Values have become decreased until property in many cases has become a liability instead of an asset. This has resulted in an increase in tax delinquency."

"While the Provincial and Dominion Governments have a great variety of taxes which are widely distributed among the people,

the Cities are compelled to furnish the most costly and important services at the expense of the property owner."

The view of the Lethbridge City Council were summed up in the following paragraphs

1. The property owners pay a disproportionate share of municipal taxation.
2. That the taxation of real property in the City is excessive.
3. That all Social Service costs should be borne by the Provincial Government.
4. That increased taxation is fast making the ownership of property a liability.
5. That the present property tax retards building.
6. That the present system of municipal taxation is fundamentally wrong.
7. That the small home owner is in serious jeopardy of losing his home.

(c) The following paragraphs are taken from an address delivered by Mayor Elton of Lethbridge at the Annual Conference of the Union of Alberta Municipalities held June 10th, 1937.

"Our Cities are 'weighed in the balance'. The burden of unemployment relief and its evils is more than we can bear. There must be increased help from our Senior Governments."

"Our cities are called upon to furnish social services never intended, and for which our municipal organizations are not calculated to function. The present system of raising revenue for municipal and school purposes is antiquated, inequitable, and unjust, because it is levied principally and almost entirely upon real or tangible property. The home owner is being exploited. There must be a comprehensive and adequate reform in the interest of a just distribution of the burden of taxation, consistent with the principles of benefits derived and ability to pay. I look for the establishment of a provincial-wide, if not dominion-wide league for the promotion and establishment of equity and justice in taxation."

"The City of Lethbridge has weathered the gale pretty well thus far. It has been done by business-like administration. It has been done by living within our income. It has been done by much sacrifice on the part of our citizens. We do not have the things we should have. We have preferred dust to deficit, dirt roads to default, restriction of services we sorely need rather than repudiate solemn pledges honourably made. We would rather have a balanced budget than a blasted credit. But we cannot hope to maintain these standards or exercise these desires if we do not receive increased help forthwith."

It is hoped that the information now disclosed will be sufficient to justify the City's claim for an adjustment in the matter of local taxation, and a re-allocation of the governmental responsibilities in respect to the cost of the various social services to which reference has now been made.



that the object aimed at has been achieved. Due to various economic factors, rents in the City are exceptionally low, and in the absence of this particular tax renters would generally escape an equitable contribution to the cost of local administration. Whatever the merits of an "Occupiers' Tax" may be, it is obvious that a large number of City residents are thereby brought within the circle of direct contributors to the City Treasury.

# 1. FINANCIAL STATISTICS.

The following information respecting the affairs of the City has been extracted from the 1936 Financial Statement, a copy of which is hereto attached and marked "Exhibit J".

## ASSESSMENT -

Assessed value, year 1936, less exemptions and Tax Sale Property	¥6,983,675.
---	-------------

### Tax Rate, 1936.

General	18.05 mills	
School	22.60 "	
Library	.85 "	
Alberta Gov. Tax	3.00 "	43.50 mills.

Total Accumulated Tax Arrears	\$ 443,550.
-------------------------------	-------------

Tax Sale and Caveat Properties (gross)	\$2,054,591	
Less Reserve for Uncollectable	<u>1,429,690</u>	625,901.

Amount of 1936 Tax Levy.	\$ 325,813.
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Amount of 1936 Collectable Levy Uncollected	\$ 99,125.
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Arrears Collected 1936	\$ 68,241.
------------------------	------------

Percentage of Taxes Collected, 1936, as to Levy.	90.52%
--	--------

Total Debenture Debt (not deducting Sinking Fund)	\$2,725,510.
---	--------------

Total Sinking Fund (as divided below)	\$1,313,400
---------------------------------------	-------------

Amount of Sinking Fund in Arrears	\$1,027,016.60	
Less Surplus Earnings	<u>65,502.93</u>	\$ 961,513.

## ANALYSIS OF DEBT AND SINKING FUND -

PUBLIC UTILITIES:	Debentures outstanding	Sinking Fund
Waterworks		
PUBLIC UTILITIES:		
Waterworks	\$1,027,590.00	\$ 626,025.04
Electric Light	91,053.60	35,268.29
Natural Gas	45,695.00	2,503.79

ANALYSIS OF DEBT AND SINKING FUND

	<u>Debentures Outstanding</u>	<u>Sinking Fund</u>
<b>PUBLIC UTILITIES.</b>		
Waterworks	\$2,028,590.00	\$ 626,025.04
Electric Light	91,053 00	35,869.28
Natural Gas	46,295.00	2,583.79
<b>LOCAL IMPROVEMENTS</b>		
Ratepayers' Share	\$ 159,809.96	\$ 32,274.36
Municipality's Share	191,130.55	59,899.97
General Debentures	<u>1,199,533.21</u>	<u>537,349.62</u>
	<u>\$2,725,510.82</u>	<u>\$1,313,400.06</u>

Amount of Bonds Outstanding issued by Instalment Method	\$ 192,616.67
Amount of Bonds Outstanding issued by Sinking Fund Method	2,532,094.15
Amount of School District Bonds Outstanding	130,164.02
Total Other Liabilities (including Sinking Fund Arrears)	1,157 171.16
Current Revenue, 1936, (including Trust Accounts)	891,929.96
Current Expenditures, 1936, (including Trust Accounts)	862,759.72

UTILITIES OPERATIONS YEAR ENDING DECEMBER 31st, 1936.

	<u>Gross Profit</u>	<u>Net Profit</u>
Waterworks Department	\$ 56,784.25	\$ 5,691.29
Electric Light Department	81,159 56	64,433.11
Natural Gas Department	150,862.69	121,552.39

SINKING FUND BALANCE SHEET  
as at December 31st, 1936

Royal Bank of Canada	\$ 32,998.62	Fund	\$1,373,550.60
City of Medicine Hat:		Less,	
Sinking Fund Instalments		Surplus	
Less Surplus Earnings	966,766.00	Earnings	60,250.60
			<u>\$1,313,400 06</u>
<b>Securities:</b>			
City of Saskatoon Bonds	20,000.00		
Med. Hat S.D. Bonds	10,000.00		
City of Medicine Hat Bonds	222,950.04		
Sask. Provincial Bonds	20,000.00		
Alberta Provincial Bonds	7,000.00		
City of Edmonton Bonds	20,000.00		
Sundry	13,695.40		
	<u>\$1,313 400.06</u>		<u>\$1,313,400.06</u>

SUMMARY OF 1936 BUDGET.

<u>REVENUE.</u>	
CITY REVENUES	
Tax Levy, etc including Utilities -----	\$720,911.95
TRUST ACCOUNTS	
School, Library and Govt. Tax Levy -----	<u>171,017.71</u>
	<u>\$891,928.96</u>
<u>EXPENDITURE</u>	
CONTROLLABLE ACCOUNTS	
Administration and Operating Expense, including reserves and Discounts,	\$477,274.08
CITY ACCOUNT	
Debtenture Fixed Charges	214,468.63
TRUST ACCOUNTS	
School Levies, not controlled by Council	171,017.71
SURPLUS Transferred to General Fund	
Balance Sheet	<u>29,169.24</u>
	<u>\$891,928.96</u>

It is to be noted that as at December 31st, 1936, Sinking Fund Arrears stood at \$961,513. Despite the shrinkage in the assessment of Real Property and a steadily diminishing revenue derived therefrom, the City has been able, so far, to meet its Debtenture maturities. It must be observed, however, that between the years 1942 and 1945 inclusive, maturities amounting altogether to \$1,279,374 will require to be met, and it does not appear that the City's present taxation structure is sufficiently productive to meet these accruing obligations.



In support of the previous observation, the following Comparative Statement of Assessment and Taxation for the years stated is now shown

	1932	1934	1936
<u>Taxable Assessment.</u>			
Land	\$5,790,99 .	\$5,139,529.	\$2,827,355.
Improvements	4,092 510.	4,625,305.	4,156,320.
General Rate, mills,	14 1/8	15	18.35
Public Library Rate	1	1	.85
School Rate, mills,	21 3/4	20 3/4	22.6
Supplementary Revenue	1 1/9	2	2
Mills ---	38	38	43 1/2
Municipal Taxes	\$140,499.54	\$146,635.42	\$125,990 96
Public Library Taxes	9,894.81	9,790.51	5,937 7
School Taxes	223,189 18	204,424.00	159,421 86
Alberta Gov Tax	6,531.45	6,444.89	5,657.41
	<u>\$390,114.99</u>	<u>\$367,294.82</u>	<u>\$296,997.97</u>

It will be noted that the 1936 assessment of land in the City is less than that of 1932 by nearly \$3,000,000. This is partly due to further forfeitures, but mainly to a reduction in land values so that they might be made to conform more closely to the Assessor's opinion as to their "fair actual value".

It should be pointed out, too, that as a result of inflation of land values for assessment purposes a considerable number of lots located in the business centre of the City have been forfeited for non-payment of taxes. In 1936 the per capita total tax arrears stood at \$46.59 - the highest but one in all the Cities of Western Canada.

Due to various economic factors adversely affecting the City, building permits have shrunk to a minimum. The following figures indicate

the change:

BUILDING PERMITS:	1928	\$116,876.
	1929	306,600.
	1930	70,665.
	1931	56,195.
	1932	40,655.
	1933	14,360.
	1934	26,095.
	1935	17,194.
	1936	25,415.

With the shrinkage in the value of Real Property which continues to form the main base of the City's tax structure, with its high mill rate, the heavy burden of costs imposed upon the taxpayer in respect to Unemployment Relief and Education, and the early maturity of heavy debenture obligations, the City faces a situation by no means free from peril. But for excellent management in recent years that peril would be less remote than it is at present.

The views of the City authorities are expressed in a recent statement of the City Auditor, and the following paragraphs are quoted.

"The only logical relief from the enormous burden now carried by real estate is that the Provincial and Dominion Governments should assume the responsibility of providing the funds necessary to the operation of those Social Services which are undoubtedly in their sphere, and which originate in Acts passed by the Provincial Legislature or the Dominion Parliament."

"Relief, Old Age Pensions, Mothers' Allowances etc., are certainly not the responsibility of municipalities, and with the restricted sources of taxation permitted to them the municipalities are finding it impossible to carry on and remain solvent. These are obligations of either the Province or the Dominion."

"Education is controlled by the Provincial Government. Through its Minister of Education it sets the curriculum and makes all regulations, contributing by way of a grant to the School District an amount less than 9% of the cost of operating the Schools, the taxpayer being compelled to raise the balance of cost through the taxation of real estate. It has become the major item in the City's budget."

These conclusions have been reached as a result of the Auditor's intimate contact with the financial burden involved in the two primary social services of education and unemployment relief. In the case of education the cost in 1936 of the Public School amounted to \$158,755, and of the Separate School \$6,793. To this heavy cost the Provincial Government contributed in grants \$13,850 to the former, and \$355 to the latter, the grant to the Public School being roughly equal to 8 1/2%.

With regard to Unemployment Relief and other Social Services the following figures disclose the Burden of cost now borne by the City.

Unemployment Relief Costs.

	<u>Gross</u>	<u>Govt.'s Contribution</u>	<u>Municipal Cost.</u>
1930 Relief	\$ 1,167.68	\$ 796.21	\$ 381.47
(1930-1931			
Programme	41,031.63	19,999.98	21,031.65
1931 Relief	7,585.40	5,214.43	2,370.97
(1931-1932			
Programme	68,568.34	50,250.00	18,318.34
1932 Relief	33,056.25	22,051.50	11,004.75
1933 Relief	40,345.51	26,897.05	13,448.46
1934 Relief	31,895.92	20,066.58	11,829.34
1935 Relief	35,125.67	25,971.29	9,154.38
1936 Relief	46,608.89	25,915.26	20,693.69
	<u>\$ 306,385.29</u>	<u>\$ 197,682.24</u>	<u>\$ 108,503.05</u>
Less Works			
Programme	<u>\$ 109,599.97</u>	<u>\$ 70,249.96</u>	<u>\$ 39,349.99</u>
Unemployment			
Relief	<u>\$ 196,785.32</u>	<u>\$ 127,432.28</u>	<u>\$ 69,353.06</u>
Actual gross cost 1936	\$ 46,608.89		
Actual Govt. Grant 1936	\$ 23,200.00		
	<u>\$ 23,408.89</u>		

Statement of Costs of Other Social Services.

1.	<u>Back to the Land Scheme</u> - cost to City	1933	\$2,232.97	
		1934	3,525.59	
		1935	1,239.66	
		1936	739.35	\$ 7,737.57
	Plus Doctors' and Hospital accounts in connection therewith			500.00
				<u>\$ 8,237.57</u>
2.	<u>Direct or Indigent Relief</u>	1930	\$6,700.	
		1931	6,600.	
		1932	6,500.	
		1933	6,700.	
		1934	7,150.	
		1935	7,250.	
		1936	10,450.	<u>\$51,350.</u>
3.	<u>Grant to Hospital for care of Relief Cases.</u>	1930	\$6,000.	
		1936	9,000.	
4.	<u>Mothers' Allowances</u> - City's Share.	1930	\$5,700.	
		1931	5,700.	
		1932	4,800.	
		1933	4,600.	
		1934	3,900.	
		1935	4,250.	
5.	<u>Old Age Pensions.</u>			
	10% of total pension	1930	\$1,389.45	
		1936	3,518.89	
		<u>Dom. Govt. 50%</u>	<u>Prov. Govt. 40%</u>	<u>Munic. 10%</u>
	Total pensions for 1930			
	- \$13,894.50 shared	\$ 6,947.25	\$ 5,557.80	\$ 1,389.45
	Total pensions for 1936			
	- \$35,188.90 shared	26,391.67	5,278.34	3,518.89

Cost of Education.

The following Statement of Revenue and Expenditure in connection with the Medicine Hat School District will show the extent of the burden of this particular Social Service.

REVENUE 1936

City Levy on Real Property, 22.60 mills -	\$142,000.00
Government Grant (approx. 9%)	13,850.00
School Fees	2,426.07
Night Classes	225.00
Sundry Revenue	<u>135.15</u>
TOTAL -----	<u>\$158,756.22</u>

EXPENDITURE 1936

Fixed Charges	\$ 23,215.08
Salaries	108,741.76
Operating Expenses	22,150.82
Depreciation	1,462.29
Sundry Expenses	<u>3,186.30</u>
TOTAL -----	<u>\$158,756.22</u>

The burden of cost in connection with Education is accentuated by the fact the support of this service is derived exclusively from the taxation of real property. The injustice of the system has long been recognized by Municipal Authorities, and its continuance should no longer be tolerated.

### 3. Observations by City Authorities.

In a memorandum submitted by the City the following observations respecting the problem of local finance and taxation are made:

"The City of Medicine Hat submits that in view of the restricted avenues of taxation of municipalities, it is absolutely necessary that some revision of the whole field of assessment and taxation be made. Both Dominion and Provincial Governments have enacted legislation especially in the sphere of Social Services making it obligatory on the part of municipalities to contribute a large portion of the monies expended thereon, but they have refrained from allowing the municipalities any new sources of taxation to provide for the increased expenditures. The municipalities are therefore loaded with responsibilities beyond their ability to meet."

"The responsibility for social services of a national type now imposed on the municipalities is essentially a Provincial one, and in some cases belong to the Dominion."

"Education is properly a Provincial burden, and should not be made to rely on the uncertainties of local finance."

"In regard to Social Services, 10% of Old Age Pensions, 20% of Mothers' Allowances, Hospital Charges, and Children's Protection have now to be provided from the City's revenue."

"The taxes levied on Real Estate amount approximately to 60% of the City's total revenue. The Province continues to levy a Social Service Tax, although Government properties in the City are exempt from taxation."

"Real Estate taxes are a determining factor in the location of a manufacturing plant, the purchase of a home, or making an investment in real property. It is an incontrovertible fact that many properties are now taxed out of all proportion to the net revenue derived therefrom."

"If the Senior Governments decline to take over the financing of Social Services, it is essential that additional revenues be made available to municipalities. A fair proportion of Provincial revenues collected in the City from the Income Tax, Auto Licenses, Gasoline Tax, Amusement Tax and Liquor Profits should be returned to the City."

Perusal of the above quotations will clearly indicate the attitude of the Civic Authorities of Medicine Hat to the problems of finance and taxation confronting them, and it is hardly necessary to emphasize further that practical solutions cannot indefinitely be postponed.

VI.

CITIES OF  
RED DEER, WETASKIWIN AND DREUMHELLER.

The following information respecting the Cities of Red Deer, Wetaskiwin, and Drumheller is taken from their respective Auditor's Report for the year ending December 31st, 1936, copies of which are attached hereto and marked Exhibit "A".

CITY OF RED DEER

Population 2,344

Assessment

Assessed Value for Taxation, 1936 .....	\$1,341,833
Exemptions not included in above .....	\$ 760,760
Tax Rate - General $9\frac{1}{2}$ , Debenture 4, School $25\frac{1}{2}$ , Hospital 11, Total .....	40 mills
Total Accumulated Tax Arrears .....	\$32,069.23
Amount of 1936 Levy .....	\$62,799.74
Amount of 1936 Tax Levy Uncollected .....	\$ 7,513.50

Analysis of Debt

Outstanding  
Debentures.

Public Utilities

Waterworks .....	\$ 14,543.66
Electric Light .....	\$ 54,543.31

Local Improvements

Ratepayers' Share .....	\$ 26,402.70
Municipality's Share .....	\$ 19,563.95

<u>General Debenture</u> .....	nil
Total .....	<u>\$114,050.62</u>

Assessment per capita .....	\$581.35
Debenture Debt per capita .....	\$ 48.32
Total Taxes per capita .....	\$ 26.25

The following information is taken from the City Commissioners's Report on Estimates for 1937:

Unemployment Relief.

"The actual expenditure for Relief of all kinds in 1935 was \$4,135.00. In 1936 this had reached a figure of \$6,065.22, and increase of \$1,931.19 in one year."

Cost of Education.

"The Public School total demand in 1935 was \$33,059.55. In 1936 this had risen to \$38,329.70, an increase of \$1,470.15."

It is worthy of note that the levy for education is approximately 60% of the taxes on land actually collected.

Assessed Value of Forfeited Lands

	<u>Assessed Value</u>
(a) Improved Properties	\$ 3,700
(b) Residential - On Utilities	\$ 53,000
Off Utilities	\$123,000
(c) Business Lots	\$147,430
(d) Acreage	\$ 33,480
Total .....	<u>\$365,610</u>
(e) Properties under Caveat -	
1. Business - 12, value	\$ 68,640
2. Residence - 80, value	<u>\$107,215</u>
	<u>\$175,855</u>

Building Permits

1928 .....	\$133,090	1933 .....	\$ 7,990
1929 .....	\$130,920	1934 .....	\$ 5,790
1930 .....	\$125,025	1935 .....	\$ 32,672
1931 .....	\$ 11,190	1936 .....	\$ 31,606
1932 .....	\$ 28,167		



CITY OF WETASKIWIN

Population 2,051

Assessment

Assessed Value for Taxation, 1936 .....	\$1,914,999.70
Exemptions not included in above .....	\$ 595,270.00
Tax Rate, 1936 - General 10 mills Debenture 9 mills Schools 14 mills	Total ..... 33 mills
Total Accumulated Tax Arrears .....	\$ 50,206.55
Amount of Tax Levy, 1936 .....	\$ 74,246.33
Amount of 1936 Tax Levy Uncollected .....	\$ 12,735.91

Analysis of Debt (Amortity Plan)

Waterworks & Sewer Debentures outstanding .....	\$ 125,570.11
Electric Light Debenture .....	\$ 3,599.48
Local Improvements, Ratepayers' Share .....	\$ 55,136.52
General Debentures .....	\$ 34,500.21
Total .....	\$ 199,414.33
Amount of Unsold Debentures .....	\$ 29,010.56
Public and Separate School Debentures .....	\$ 3,550.00
Total Liability Floating Debt .....	\$ 6,975.12

Assessment per capita .....	\$899.00
Debenture Debt per capita .....	\$ 96.00
Total Taxes per capita .....	\$ 96.00

Unemployment Relief

In 1936 the gross cost of Direct Relief amounted to \$7,103, the Government contribution being \$2,004. The City's share amount to \$5,099.

Cost of Education

For the year ending December 31st, 1936, the levy to meet the cost of Education amounted to \$24,100.

The combined cost of Education and Unemployment Relief for the year 1936 was equivalent to 40% of the City's Tax Levy of \$74,244.38.

It should be observed that while the tax rates is stated to be only 33 mills, the actual burden of taxation imposed upon land in the City cannot be appreciated except when the rate is seen in relation to the City's per capita assessment of \$899.00.

Building Permits -

1928	\$85,410	1933	\$12,950
1929	30,650	1934	3,680
1930	11,360	1935	24,827
1931	7,001	1936	7,940
1932	45,870		

CITY OF DRUGGELLER

Population 3,000

Assessment:

Assessed value for Taxation ... .. \$1,750,839.00  
 Made up as follows:  
 Land ----- \$ 661,643  
 Buildings -- 1,089,194 - 70% of full value.

Tax Rate, 1936 - General	25 mills		
School	31 "		
Hospital	3 "		
Library	1 "	Total .....	60 mills

Amount of Consolidated Levy, 1936 \$ 141,507.00

Statement of Consolidated Taxes

Consolidated Tax Levy, Current 1936 .....	\$ 139,649.76
Amount Uncollected as at December 31, 1936 .....	145,115.31
Penalties, Costs and Adjustments .....	11,014.21
	<u>\$ 294,779.28</u>

Building Permits.

1928	3100,295	1933	9,100
1929	139,500	1934	9,290
1930	30,000	1935	22,600
1931	65,300	1936	42,700
1932	14,500		

Forfeited Lands.

The following is a classification of Forfeited Lands, subject to taxation, continued on the Tax Roll and assessed and taxed with penalties added each year under The Tax Recovery Act, 1939.

62 Residential Properties,	Improved:	Assessed value -	\$ 60,151
??	Unimproved:	"	21,987
9 Business Properties,	Improved;	"	25,430
20 " "	Unimproved:	"	11,925
			<u>\$119,499</u>

Properties subject to Caven.

- 24 Residential Properties.
- 9 Business Properties.

The problems of these three smaller Cities are similar in character to those which now so gravely affect the economic life of the larger Cities of the Province. The increasing cost of education, unemployment relief, and other social services on the one hand, and the sharply restricted taxation base on the other, is a condition which in varying degrees confronts all urban units in the Province, and the need of an early and more equitable distribution of the burden of taxation involved cannot be disputed.

Building Permits.

1928	100,295	1933	9,100
1929	139,500	1934	9,290
1930	30,000	1935	22,600
1931	55,300	1936	42,700
1932	14,600		

Forfeited Lands.

The following is a classification of Forfeited Lands, subject to taxation, continued on the Tax Roll and assessed and taxed with penalties added each year under The Tax Recovery Act, 1929.

62 Residential Properties,	Improved:	Assessed value -	\$ 60,151
77	Unimproved:	" "	21,987
9 Business Properties,	Improved;	" "	25,456
20 "	Unimproved:	" "	11,925
			<u>\$119,499</u>

Properties subject to Caveat.

24 Residential Properties.

9 Business Properties.

The problems of these three smaller Cities are similar in character to those which now so gravely affect the economic life of the larger Cities of the Province. The increasing cost of education, unemployment relief, and other social services on the one hand, and the sharply restricted taxation base on the other, is a condition which in varying degrees confronts all urban units in the Province, and the need of an early and more equitable distribution of the burden of taxation involved cannot be disputed.

RESOLUTION OF THE UNION OF CANADIAN MUNICIPALITIES.

At a Conference of the Union of Canadian Municipalities held

July 20, 1934, the following resolution was passed.

- " WHEREAS the municipalities throughout the Dominion derive their corporate existence from the Provincial Governments, being incorporated to discharge certain functions which are within Provincial jurisdiction:
- " AND WHEREAS the services which municipalities are called upon to perform fall generally into two distinct classes or groups, viz. specific or local, and general or national, the first class including those services which mainly concern the inhabitants of the locality and which confer on the local taxpayers as a whole a direct and peculiar benefit, such as maintenance of streets, drainage, public lighting, fire protection and other local services, and the second class including services of a national or social character, not primarily identified with the ownership of real property, such as education, police protection, public health administration, and relief
- " AND WHEREAS it is an essential principle that along with the responsibilities and burdens placed upon municipalities when and as created, authority for raising the necessary revenues in a just and practicable way must be granted, co-extensive and consistent with the obligations imposed, or a sufficient share of provincial revenues must be distributed to make up any deficiencies arising out of such obligations:
- " AND WHEREAS the powers conferred on municipalities for the raising of direct revenues have been almost entirely restricted to the taxation of real property, while Provincial Governments have retained the right to levy from wider sources, including income and licenses, without any definite commitments as to the allocation of an adequate portion of such revenues to the municipalities.
- " AND WHEREAS the duties and responsibilities assigned to and imposed upon the municipalities by the Provincial Governments in respect of services that are of a national character (more particularly in regard to so-called Social Services and Education) have been increased from time to time without a corresponding provision for raising the necessary revenues or an equivalent distribution of provincial revenues to meet the costs, thereby forcing upon real property a burden entirely inequitable and beyond the capacity of realty to bear:
- " AND WHEREAS the imposition of such taxation upon real property for purposes not directly identified with or beneficial to ownership of real property, and without regard to the principle of ability to pay,

reacts on the earning power of realty, and consequently must result ultimately in diminishing capital value, as is evident throughout the Dominion by the wholesale reversion of real property to the municipalities for unpaid taxes.

" AND WHEREAS the point has been reached where the very existence of the municipalities has been imperilled by failure to recognize and apply equitable, stabilized, and permanent basis of relationship between Provincial Governments and Municipalities, both as to duties, services and revenues,

" BE IT RESOLVED that the Union of Canadian Municipalities take immediate action to secure the cooperation and support of the municipalities throughout Canada towards the enactment of national legislation for establishing wider powers of taxation for municipalities to relieve the burden on real property, and for an equitable and stabilized basis for the distribution of the responsibilities of social or national services between the Provincial Governments and Municipalities, and the allocation of an equitable proportion of provincial and national revenues towards the cost of such services."

# TABLE 1

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## DATE DUE SLIP

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GOV DOC CAT Z1- 1937/ 1-4-2  
ADDENDA  
DUGGAN JOSEPH JENKINS 1874-  
CITIES OF ALBERTA  
39797238 GOV PUB



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GOV DOC CAT Z1- 1937/ 1-4-2  
addenda  
Duggan, Joseph Jenkins, 1874-  
Cities of Alberta :  
39797238 GOV PUB

